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State Capitalisms in Southern Africa

Colonial Rule, Capitalist Development, and Class Formation in Namibia, South Africa, and Zimbabwe, 1880s–2020s

Lucien van der Walt,
Gilton Klerck,
Kirk Helliker and
Gorden Moyo

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The study identifies distinct forms of state-capital hybrids in successive eras like merchant colonialism, import-substitution-industrialisation, neo-liberalism, and predatory militarised accumulation. Drawing on historical institutionalist approaches, it shows how national contexts drive variation within seemingly similar state capitalist forms, and capitalist eras. State structures and capacities, and the classes in which these are embedded, are essential to explaining different development outcomes in colonial and post-colonial countries, including the possibilities and trajectories of late industrialisation.

Challenging dominant narratives that centre Western and Eastern models, the authors reveal how African cases both enrich, and complicate, global debates on state capitalism. Engaging deeply with neglected African histories, this is a timely contribution to the political economy literature.

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State Capitalisms in Southern Africa: Colonial Rule, Capitalist Development, and Class Formation in Namibia, South Africa, and Zimbabwe, 1880s–2020s

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ABSTRACT

This study rethinks the political economy of Namibia, South Africa, and Zimbabwe through the lens of state capitalism. Tracing developments from merchant colonialism to neoliberalism, it identifies successive, distinct forms of state-capital hybrids shaped by colonial legacies, industrialisation, and state structures. Drawing on historical institutionalism, the study argues that national variations in state capitalism arise from implementation within specific political and social contexts, rather than formal policy design. By integrating African cases into broader debates, it challenges dominant Western–Eastern binaries and highlights the region's relevance for theorising state capitalism and its implications for corporate governance in diverse developmental trajectories.

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1

Introduction

The primary aim of this study is to apply and develop the framework of "state capitalism" to rethink the political economy of southern Africa since the late nineteenth century. Our focus will be on Namibia (formerly South West Africa), South Africa, and Zimbabwe (Southern Rhodesia until 1965, then Rhodesia). All three were created through European colonialism and were ruled for decades by local white minority populations before moving towards majority rule. In two of the three cases – South Africa and Zimbabwe – large-scale industrialisation took place from the 1920s and 1940s, respectively. We build on our earlier work on state capitalism in sub-Saharan Africa (Van der Walt *et al.*, 2022). Note that when making general reference to a state, or a town or city, we will use the modern nomenclature. When dealing with specific periods, we will normally use then-current names to avoid anachronisms. This does not, of course, imply any political endorsement of the older names.

The notion of "new state capitalism" gained remarkable traction following Adrian Wooldridge's *The Visible Hand*, published in *The Economist* in 2012. He argued that there was a "crisis of Western liberal capitalism," and that the "era of free-market triumphalism" had come

to a "juddering halt" with the Great Recession and the rise of dynamic state capitalist alternatives in China and elsewhere (Wooldridge, 2012: 1). We engage that argument, as well as the larger literature with which it is associated – and which it helped foster – and argue for the importance of African cases for the development of the study of state capitalism. We also consider the implications of state capitalism in Africa for corporate governance. "Corporate governance" refers to the decision-making structures in an entity, and how objectives and strategy are set (Cooke, 2019). State capitalism – a situation in which the lines between the so-called "public" and "private" sectors blur – has distinctive patterns of, and challenges for, such governance. An important insight from studies in political economy is that there are enormous variations in the forms and effects of state influence over business, and across different economic sectors and organisations (Grosman *et al.*, 2023; Matthew and Allen, 2024). Hence, the implications of state capitalism for corporate governance in the southern African region, as elsewhere, are differentiated, evolving, and embedded in distinct political economies.

We argue that a significant part of the economic history of the three African states under consideration is best understood as reflecting successive forms of state capitalism, centred on state-licensed charter companies or, alternatively, parastatals owned or controlled by states, including state financial institutions. These entities have had a substantial impact on the development and shape of economic development, including of private business, and of working-classes. We point out that state investments, assets, and planning have been central, rather than adjunct or rare parts of national development paths, and that different types of state capitalism are, therefore, crucial parts of economic history and activity. As we will show, the evolution of state capitalism in the southern African countries of Namibia, South Africa, and Zimbabwe is rooted in distinct histories, and shaped by concrete local and geopolitical contexts. We highlight the importance of the structures and capacities of different states, the character of capitalist and landowning classes, class formation and class structures, as well as the role of nationalisms, in the trajectories of these different countries.

We identify, from our examination of these African cases, distinctive types of state capitalism, each associated with successive eras (or phases) of capitalism. We reserve the term "state capitalism" to refer to state-capital hybrids, and we argue that there are distinctive types of state-capital hybrids associated with different eras of capitalism. As such, the term "state capitalism" does not refer, in our study, an entire economy or any specific economic era.

We identify, from our African cases, the following distinct eras of capitalism: merchant colonialism (to use the label given by Ulrich, 2011); the colonial regimes of competitive exploitation; import-substitution-industrialisation (ISI); neo-liberalism; and militarised primitive accumulation. Each era entails distinctive types of state-capital hybrids. For example, in the era of merchant colonialism, the characteristic state-capital hybrid is the charter company. This is a joint-stock corporation licensed by imperialist states, and granted extensive rights including the power to wage wars, sign treaties, and rule territory. As another example, in ISI, there is extensive government intervention, including planning and protectionism; parastatals that are state-owned and "run as virtual extensions of the public bureaucracy," mandated not to seek profits but to foster local industrialisation and industrialists (Chatterjee, 2017: 87–89). We can speak of merchant colonialism, as well as the state capitalism of merchant colonialism; we can speak of ISI, as well as the state capitalism of ISI. The phase of *capitalism* (e.g., merchant colonialism, ISI) and the type of *state capitalism* that characterises it (e.g., charter company, non-profit parastatals) are not identical but are closely associated.

While we believe that general categories – such as phases of capitalism, and associated types of state-capitalism – are useful, we also insist on the importance of concrete instances. In, for example, examining ISI in Zimbabwe at different times, we need to examine the distinctive contexts within it was embedded, and which shaped it. Thus, general eras of capitalism are characterised by substantial national variations, and changes over time; moreover, each type of state capitalism will vary considerably in practice due its location within specific political economies.

In addition to helping develop a broader set of cases, the three African states under examination highlight the significance of variations within types. All three cases had substantially similar starting points. All three also followed the same sequence of major state capitalist types identified above, with the main exception that only Zimbabwe moved towards militarised primitive accumulation. Yet the three cases under consideration also show considerable variations in: how each type operated and evolved despite similar starting points; developmental paths; institutional frameworks; and state capitalist types.

This variation cannot be explained by reference to an era of capitalism (e.g., ISI), or to the specific type of state capitalism characteristic of that era, since the variation exists within eras and types. It arises, rather, from the specific national contexts within which state capitalism is embedded, including state forms. By engaging the literature on predatory and developmental states, especially the work of historical institutionalists like Peter Evans, Richard Sandbrook and Theda Skocpol (e.g., Evans, 1989; Evans *et al.*, 1985; Sandbrook and Barker, 1985), we make two main arguments. First, that variation develops during policy implementation, rather than from policy intent and formal policy design; and second, that it is decisively shaped by state form and capacity, which are in turn conditioned by the social structure. Thus, formally identical types of state capitalism will, in actual practice, vary considerably because they are embedded in distinctive states and societies. While it is important to develop typologies of state capitalism, it is equally important to treat variation within each type seriously.

In these two main ways – the typology developed, and the arguments around variation – our study shows how attention to African examples enrich and complicate the literature. Despite a phenomenal increase in publications on "state capitalism," African cases have largely been ignored, as both case studies and as bases for theoretical reflection. Much of the literature pivots on crude contrasts between "Western" and "Eastern" cases, the former often presented as variants of liberal capitalism, and the latter as a statist alternative, as evidenced by Wooldridge's (2012) analysis. As we will argue below, these contrasts understate the role of the state in Western cases and underplay variations within the West and the East. Moreover, cases from outside of this binary

help to challenge it, and enrich our understanding of state capitalism (see Alami and Dixon, 2020; Nölke *et al.*, 2019; Peck, 2021, 2023b). The examples that we examine underline the importance of looking beyond the usual suspects, to recognise the importance of African cases, and a reality that is too diverse to be easily shoehorned into a few pre-existing categories.

Despite its limitations, the notion of "state capitalism" underscores the central role of the state in a country's developmental path and, by contrasting the diverse path dependencies of national capitalisms, constitutes a significant advance over atheoretical, case-by-case accounts. We develop arguments through a fuller review of the state capitalism literature, and engagement with a range of African cases – largely ignored in this literature – which enrich and complicate that literature.

In our study, we first unpack the rise of "new state capitalism" literature, and evaluate that scholarship, before moving to an engagement with work on sub-Saharan African economic history, political economy and state forms, and specific cases. These sections allow us to develop a typology of state capitalism for sub-Saharan Africa, which we then develop by reference to the similar, yet sharply divergent, cases of Namibia, South Africa, and Zimbabwe, looking at histories of merchant colonialism via charter companies; ISI; and neo-liberalism, with a focus on parastatals including state-owned corporations, state financial institutions including banks, development finance institutions and sovereign wealth funds (SWFs).

A few words to introduce our case studies are required here. South West Africa (now Namibia) was a German colony from 1884 to 1915 but ruled for a significant part of this period by a charter company named the *Deutsche Kolonialgesellschaft fur Sudwestafrika* ("German South West Africa Company"). It was occupied by South African forces during the First World War. It was, effectively, ruled as a South African colony, as a subordinate *de facto* fifth province, until granted independence in 1989, when it was formally renamed Namibia. South Africa, formed as a single state in 1910 – a self-governing British Dominion, with the same status as Australia or Canada – and developed by the 1940s into the most industrialised country in sub-Saharan Africa. In the 1990s, it accounted for 44 percent of the Gross Domestic Product (GDP) of

that region and 52 percent of its industrial output (Saul and Leys, 1999: 23). This was enabled, in part, by extensive ISI. The Southern Rhodesian state was founded by a charter company called the British South Africa Company. The state and its territory – called "Rhodesia," then Zimbabwe – achieved a large degree of self-government from 1923, also adopting ISI, but under white rule. While all three countries moved towards parliamentary democracy and neo-liberalism in the 1980s, Rhodesia – renamed Zimbabwe in 1980 – evolved a militaristic, patrimonial system that effectively collapsed its modern economy.

In the final section, we draw out some of the larger theoretical (and policy) implications of the discussion and show how the South and southern African cases, and a historical institutionalist approach. complicate and enrich the literature on state capitalism and on corporate governance.

2

"State Capitalism": Conceptualisations, Antecedents, and New Directions

Recent transformations in the global economy have sparked renewed interest in the role of the state in capital accumulation. These transformations include a return to various forms of state-led development across the globe since the early 2000s (in China, Russia, the Gulf states, and other significant emerging economies); extensive state intervention, following both the 2008 global financial crisis and the COVID-19 pandemic; and the multiplication of various forms of state-capital hybrids, including parastatals like SWFs (Moyo, 2024). For instance, the number of SWFs increased from 50 to 92 between 2005 and 2017, while assets under management grew to over USD $7.5 trillion, which is more than hedge funds and private equity firms combined (Alami and Dixon, 2020: 71).

Most importantly, this renewed attention to the role of the state drew attention to the persistence of parastatals in the world economy. Such entities remained surprisingly important, despite most states' formal adherence to privatisation, and numerous analyses arguing that the 1980s ushered in an epochal turn away from state property (e.g., Teeple, 1995). According to Alami and Dixon (2020: 71), parastatals "generate approximately one tenth of world gross domestic product

(GDP) and represent approximately 20% of global equity market value." Some parastatals dwarf even the largest privately-owned transnational corporations, with PetroChina currently leading the list with a market value of more than USD $1 trillion. Three of the top five companies in the 2018 Fortune Global 500 are Chinese parastatals: State Grid, Sinopec Group, and China National Petroleum Corp (Alami and Dixon, 2020: 71). In most countries, the state remains a key entrepreneur, employer, owner of capital, investor and financier (e.g., Alami *et al.*, 2021; Dye *et al.*, 2021; Piatek, 2023; Rudy, 2020).

2.1 Specifying "State Capitalism"

While there is a bourgeoning scholarship under the "state capitalism" rubric, the term has come to encapsulate an enormously wide array of practices, policy instruments and vectors, institutional forms, relations, and networks that implicate the state to varying degrees and at various levels, time frames, and scales. As Alami and Dixon (2020: 71) show, the concept has been variously deployed to designate a national variant of capitalism; new types of parastatals and/or state-sponsored investment funds including SWFs; a particular type of state-business relation, an alternative to Western-dominated "liberal capitalism"; the use of market mechanisms for the promotion of geostrategic goals; or a reconfiguration of the state-capital nexus. Thus, the international rivalry between the USA and China is sometimes seen as a battle between "liberal capitalism" and "state capitalism" (Bremmer, 2009; Kim and Sumner, 2021).

Along with the proliferation of active industrial policies and the upsurge in economic nationalism, state-owned enterprises, SWFs and development banks, and a myriad of state-controlled corporate entities are growing in size, number, and influence, and are increasingly integrated into global circuits of production, finance, infrastructure, and corporate ownership (Alami, 2023; Babic *et al.*, 2020; Peck, 2023b). Significantly, these state-capital hybrids have also become increasingly integrated into transnational circuits of capital. The global landscapes of state intervention that emerged at the turn of the millennium and proliferated following the 2008 global financial crisis were obvious in the sheer scale of such activities: for example, the share of parastatals

in the world's 2,000 largest firms doubled to 20 percent in the last two decades (see Alami and Dixon, 2020; Alami *et al.*, 2021; Bremmer, 2009; Kurlantzick, 2016; Nölke *et al.*, 2019; Whiteside *et al.*, 2023).

We are also observing a revival of neo-mercantilism and other manifestations of economic nationalism in the domains of trade, industry, and investment policy (Gertz and Evers, 2020). Additionally, there has been an expansion of national and regional development banks (Stephen and Skidmore, 2019), renewed emphasis on state-directed investment in international development (Kim, 2020), and a growing interest in different state-led development models, particularly in China and other regions (Alami *et al.*, 2021). During the COVID-19 pandemic, during which many states imposed harsh lock-downs, many governments around the globe delivered massive bail-out packages and debt relief to big business and workers, and nationalised key economic sectors, while also bolstering the "mass surveillance" state and imposing restrictions on citizens' mobility (Alami *et al.*, 2022b).

In some analyses, the term "state capitalism" serves primarily as a means of foregrounding more visible, assertive state roles as the sponsor, manager, regulator, and owner of capital, particularly since the early 2000s. Since, however, none of these roles is completely new, it is more useful to aggregate, taxonomise, and theorise them under the rubric of a *new* state capitalism (Kurlantzick, 2016; Wright *et al.*, 2021). In presupposing older state capitalisms, this rubric points to the need for historical and comparative analyses. Here, it is necessary to confront the tendency in some strands of the literature to construct state capitalism as an abnormal or deviant form of capitalism. This predilection is premised on two highly questionable assumptions. First, the assumption that the state is largely absent or passive in normal configurations of capitalism. This assumption is contradicted by the state's pervasive role, even in so-called liberal capitalist countries like the United States of America (USA), where a long-standing "military-industrial complex" is fundamentally dependent on state support and regulation (Kim, 2022; Wright *et al.*, 2021).

Second, the assumption that any "state capitalism" is an exception that deviates from an archetypal template of capitalism that ostensibly prevailed in the West is dubious (Peck, 2021, 2023b; Sperber, 2019).

The historical record suggests that free markets have been rare in capitalist history, including in the West. Polanyi (1944) pointed out that Britain's industrial revolution required heavy-handed state interventions, Gerschenkron (1963: 163) that "tutelage by the state" was often essential for late industrialisation, and Chang (2002) that protectionism and state aid were central to Western industrialisation. As Alami *et al.* (2022b: 248) point out, state intervention has been the norm, rather than an exception. Consider, for instance, the USA's early reliance on ISI – a system pioneered and developed by the first USA Secretary of Treasury, Alexander Hamilton (Chang, 2002) – or the industrialisation of Germany from the 1840s, and, later, the New Deal, the large state sectors in post-1945 Western Europe, French *dirigisme d'état*, and the East Asian development model.

The global onset of neo-liberalism from the 1980s – codified in the 1990s' Washington Consensus – loudly announced the end of state intervention. It was not a conservative turn, or a return to the past, but a radical restructuring given just how central states had always been to capitalist economies. The model centred on economic deregulation, including of capital movement, exchange rates, investments, and trade; fiscal austerity, buttressed by tax reforms; and the restructuring of state assets and functions, including of parastatals (Fine, 2006; Sender, 1999; Zimbabwe Congress of Trade Unions (ZCTU), 1996). However, states were crucial to constructing this new era, and, moreover, state corporations remained crucial in the neo-liberal period. As we shall show below, the large, expansive profit-seeking state corporations that have attracted so much attention as exemplars of new state capitalism are themselves *outcomes* of neo-liberal restructuring. That is to say, the neo-liberal period has its own type of state capitalism.

Our analysis seeks to navigate a *via media* between two opposing responses to the term "state capitalism": one that embraces the concept uncritically and applies it loosely, and one that rejects it *in* toto. The first response is characterised by deploying the notion of state capitalism uncritically, as an unexamined concept applicable to an inordinately wide and continually expanding range of social phenomena, with the singular commonality of involving the state in some way. Here, all instances of state intervention in economy and society inexorably become evidence of

state capitalism. Wooldridge's (2012) account of "new state capitalism" in *The Economist* tended towards this approach. He listed numerous examples of state intervention, all the way back in the seventeenth century, as examples of older state capitalism – without, however, really specifying the single category "state capitalism" itself.

The other response has been to reject the notion of "state capitalism," and associated research, entirely. The key arguments are that the term has become a polymorphous buzzword that lacks explanatory power (see Sperber, 2019), and that it tends to obscure the historical reality that capitalism is always inherently intertwined with the state (Peck, 2023b; Whiteside, 2022). Since the state plays a prominent role in governing and regulating capital accumulation, or in directly owning and controlling capital in *all* configurations of capitalism – neo-liberalism included – the term "state capitalism" is misleading and redundant.

This contrast between blind acceptance and unqualified rejection is rooted in issues of conceptual definition, which have led to analytical cul-de-sacs in a field "riddled with conceptual ambiguities" (Alami *et al.*, 2022b: 249). In our view, these problems do not necessarily invalidate the utility of the notion of state capitalism. We agree that, since there are no examples of historical capitalism in which the state has not played a central role, that the term "state capitalism" can easily become indistinguishable from the term "capitalism" itself, rendering it redundant. We also concede that using the term to refer to any and possibly all state interventions in not a very useful approach, since it rests on a vague and shifting concept that provides no clear intellectual advance on earlier approaches.

That said, we believe that the idea of state capitalism can be a generative one that draws attention to key elements of capitalist history and political economy, and that much of the burgeoning literature with which it is associated bears this out. What is required is a clear specification of the term that fosters insights and facilitates analysis. Thus, rather than abandon the term, we reserve "state capitalism" as a description of state-capital hybrids. This is used to distinguish, firstly, between capitalism and state capitalism, between different phases (or eras) of capitalism and the distinctive, characteristic types of state

capitalism that arise in each, and finally, to examine concrete cases historically.

The value of the concept of "state capitalism" arises, in part, from its emergence to address a very specific challenge: the existence and persistence of sustained variations in capitalist and state policy and practice within the era of neo-liberal capitalism. This has been ignored, if not denied *a priori*, in much foundational literature on neo-liberalism and globalisation. First, the state capitalism approach is a way to foreground the assertive role of the state across the globe as the sponsor, manager, regulator, and owner of capital. This was increasingly obvious with the persistence of parastatals, including the rise of SWFs, both wielding extensive influence, upsurges in economic nationalism including in industrial and neo-mercantilist policies, the expansion of national and regional development banks, and – recently – state actions in the aftermath of the Great Recession that started in 2007, and in the Great Lockdown policies of the COVID-19 era (see Alami, 2023; Alami *et al.*, 2021, 2022b; Babic *et al.*, 2020; Gertz and Evers, 2020; Kim, 2020; Peck, 2023b; Stephen and Skidmore, 2019). It has demonstrably proved generative of innovative scholarship, often spanning disciplinary boundaries, including comparative and international political economy, political sociology, international business studies, development studies, and economic geography (Kurlantzick, 2016; Wright *et al.*, 2021).

Second, creative uses of the term, and debates over its application, not only foster important work but lay the foundations for a clarification of meaning. This would not be the case if "state capitalism" was bereft of substance. Thus, while we agree with the proposition that all capitalism has statist features, we contend that this need not necessarily invalidate the utility of "state capitalism": rather, it points to the need for more research, as well as for conceptual refinement.

It is necessary to recast state capitalism analysis as a reflexively critical project. State capitalism studies are, for now, best understood as "a site of reflections on the relations entertained by the state with capitalist forms" (Sperber, 2019: 111). If state capitalism is understood "more as a problem space than a taxonomically water-tight category" (Whiteside *et al.*, 2023: 65), then a significant range of possibilities for theoretical advance can be prised open through the category being

qualified or articulated with related concepts and developed into new directions through its applications. Some work in this direction includes recent conceptual modifications like "uneven and combined state capitalism," "reluctant state capitalism," "financial state capitalism," and "authoritarian state capitalism" (see Alami and Dixon, 2023; Kinossian and Morgan, 2023; Palcic *et al.*, 2023; Silverwood and Berry, 2023). Alami *et al.* (2022b) propose "state capitalism" as a means of critical interrogation of the changing role of the state, as a *problématique* rather than – at this stage – a fully formed concept or model.

This work, as Whiteside *et al.* (2023: 67) argue, requires a nuanced approach that eschews notions of a "return" of the state in the twenty-first century – as if the state had been absent earlier – or of an alleged "triumph" of states over markets – as if state interventions are self-evidently at war with markets. The simplistic dichotomies that inform some studies, like state versus market, or democratic versus authoritarian (Alami *et al.*, 2021; Hameiri *et al.*, 2019; Whiteside *et al.*, 2023; Wooldridge, 2012) do not provide an adequate basis for discrediting the entire notion of "state capitalism." In fact, it is "both possible, and highly generative, to grapple with these rigid binary constructions by challenging and problematising them" (Alami *et al.*, 2022b: 247).

What is essential, in short, is to engage in theory building, as part of a more coherent, structured social scientific inquiry. For this proliferation of competing usages to be productive and not lead to analytical impasses, according to Alami and Dixon (2020), there is a need for an intensified level of reflexive investigation of state capitalism as a category of analysis. To this end, Alami *et al.* (2022b) propose to construe "state capitalism" as a set of critical interrogations concerning the changing role of the state, thereby introducing a degree of plasticity in the use of the category, which avoids simple binaries (such as state versus market). They refer to this conceptualisation as the *problématique* of state capitalism, as opposed to a fully formed concept or model (Alami *et al.*, 2022b). The *problématique* of state capitalism is not about exploring capitalist formations that are "assumed to be politicised *a priori* but rather about scrutinising the dynamic and conflictual processes through which certain landscapes of state intervention and state-capital relations become politicised" (Alami, 2023: 766). Drawing on this conception

requires problematising state capitalism and refusing to regard it as a category ready to be deployed uncritically or mechanistically in empirical research. Moreover, no state institution, form of intervention, or pattern of development should be assumed to be "state capitalist" by default: rather, it must be identified as such by clear and consistent criteria.

We suggest that some further basic distinctions can facilitate state capitalism studies. First, a distinction needs to be drawn between state capitalism and the capitalist state. The absence of this distinction lies at the heart of many of the theoretical challenges and stalemates in studies of state capitalism (Alami *et al.*, 2022a,b). Second, while all capitalism is statist, not all state interventions are "state capitalism": the latter requires a narrower meaning to avoid redundancy.

Here, Alami and Dixon (2020: 72, 85) propose that the analytical value of "state capitalism" be strengthened by examining concrete configurations of state-capital relations, and by restricting the term to "state-capital hybrids," rather than applying it to any or all interactions between states and markets, or any or all state interventions. This formulation draws attention to specific organisational, institutional, legal, and spatial forms that entangle state and capital. It encourages us to reflect on specific organisational and governance arrangements – as portrayed in the strategic management literature; on the character of particular institutions and forms of state-business relations – as portrayed in comparative capitalism and historical institutionalist literature; and transnational practices – as portrayed in the global political economy literature. It becomes important to show how these reflections contribute to "a multifaceted process of reconfiguration of political and economic power in relation to broader dynamics of accumulation" (Alami and Dixon, 2020:86).

In other words, these are various entry points from which to explore the specific configurations and multiple dimensions of political and economic power in concrete instantiations of state capitalism. First, we will adopt the restriction of the term state capitalism to refer only to state-capital hybrids, distinguishing state capitalism from state intervention or regulation, in general, as well as from the capitalist state itself, and from capitalism as a general category. Second, to be clear, this

also means that we draw a distinction between different *capitalist types* – like ISI, the Keynesian welfare state, Soviet-style central planning, and neo-liberalism – and the characteristic forms of *state capitalism* that may exist within each. Each model sets the *parameters* for the state capitalist forms that it can contain, but within each model there can be more than one form of state capitalism. For example, a Soviet-style central planning model, lacking a distinct private sector, cannot entail Keynesian demand-management techniques, and so rules out the state-capital hybrids that would align with a Keynesian welfare state. Third, this distinction underlies our later discussion of "new state capitalism," which we consider a model specific to neo-liberalism. Thus, we would expect to see a specific variety of *forms* of state capitalism associated with each model.

2.2 State Capitalism and the Exhaustion of "End of History" Arguments

As indicated earlier, the notion of "new state capitalism" was popularised by Wooldridge's (2012) paper, "The Visible Hand," in *The Economist* (Wooldridge, 2012: 1). This argued that, while Western governments went back to neo-liberalism as the Great Recession receded, many parts of the "emerging world" – among them Brazil, China, and Russia – stuck to an emergent, increasingly sophisticated, "often authoritarian" alternative, centred on profit-seeking parastatals including SWFs, dubbed "new state capitalism" (Wooldridge, 2012: 2–3, 5, 9, 13).

These developments must be understood within the larger context of neo-liberalism, an economic model that gained traction from the 1970s, and became dominant by the early 1990s. The three worlds of the 1920s-1970s – Soviet-style central planning model in the East, Keynesian welfare state in the West, and ISI in the South –ended ingloriously. Neo-liberalism was no longer simply a model, but a new era, of neo-liberal capitalism, and of an international embrace of what was dubbed the "Washington Consensus."

Neo-liberalism, as a package designed to replace older statist systems and inaugurate "free" markets that would bring in their wake growth and prosperity, is more flexible and less static than it might

seem. For example, parastatals could be restructured in three ways: corporatisation, i.e., adopting the structures of a private corporation, while remaining state-owned, and possibly subsidised; commercialisation, i.e., running on a for-profit basis, without state subsidies; and privatisation, i.e., a transfer of assets of functions to the private sector. Not only are various combinations of these reforms possible, but privatisation itself, it became clear, could take on multiple forms: sale to the private sector, including partial sales where the state retained a significant stake; various types of concessions, including Build-Operate-Transfer (BOT); leases; a range of service and management contracts and other public-private partnerships; and the closure or downgrading of state operations to open space for private providers.

As such, a wide variety of permutations and combinations are possible in neo-liberal state asset restructuring. While neo-liberal state asset restructuring in the 1980s and early 1990s tended to stress divestiture through complete sales – exemplified by Thatcherism in Great Britain – this has faded. The parastatals of the new state capitalism fit within this framework. Thus, the parastatals identified with new state capitalism are either corporatised and commercialised firms owned by the state, or partly divested state corporations in which states retain a central influence, and SWFs. SWFs can be understood as commercialised state-owned funds and reserves, based on accumulated savings, insurance, pension and other schemes, windfalls, parastatals' profits, and other sources, which invest in bonds, equities, hedge funds, real estate, and other assets. A notable feature of new state capitalism is that distinctions between the state and private sectors break down, as parastatals including SWFs follow the same logics as private companies and investors, become increasingly entangled in private firms and global networks, and states use the leverage of this economic might in pursuit of geostrategic goals (Wooldridge, 2012: 3, 5–8, 11).

To make our argument explicit here: the state corporations and SWFs that Wooldridge (2012) treats as emblematic of new state capitalism are *not* the negation of neo-liberalism, but legitimate and central *outcomes* of neo-liberal state asset restructuring; they are, in fact, the state-capital hybrid characteristically associated with neo-liberalism. Paradoxical

as it might seem, then, we argue that there is a neo-liberal type of state-capitalism.

The precise economic weight such parastatals have within different countries clearly varies, but the difference between "Western" and "Eastern" economies today is, we suggest, one of degree not type. Parastatals often play a relatively larger role in countries like Russia than in their Western counterparts, yet they are not unique to such countries; on the other hand, parastatals have a far larger presence in many Western countries than often recognised. If we define a state-owned enterprise as one in which a state holds a majority share of capital or voting rights, then there are 20,000 German state-owned enterprises, representing 40 percent of all state employment, and the sector is steadily expanding (Asatryan *et al.*, 2022). They include the *Sparkassen-Finanzgruppe* ("Savings Bank Finance Group"), the country's largest financial services provider, but not firms with government stakes like a 12.7 percent holding in Volkswagen.

The notion of new state capitalism developed against the background of growing literature highlighting the persistence of extensive state interventions in an era of free market triumphalism, which was starkly highlighted in the aftermath of the Great Recession. As Keynesians noted at that time, Western governments had quietly conceded the limits of self-regulating markets by turning back – at least for a while – to "bailout and stimulus packages" (Skidelsky, 2009: xiv, 117, 168). The Great Recession showed the fallacy of claims that massive "deregulation" led straight to sustained growth and rising prosperity and revealed that states were perfectly willing (and able) to intervene massively (Skidelsky, 2009: xiv, 117, 168). The interventionist activities of states in the Great Lockdown era underlined this point (Alami *et al.*, 2022b). The rise of national-populist movements that overtly reject neo-liberal principles like free trade in favour of national sovereignty – such as Donald Trump's Republican Party (Parenti, 2016) – has also contributed to the growing acceptance of interventionism.

The emergence of the BRICS group founded by Brazil, Russia, India, and China in 2009 – joined by South Africa a year later – was another

challenge to the Washington Consensus, or at least, to a Washington-dominated unipolar world order. This was partly because it drew together some of the largest economies in the world, but also because in Brazil, China, and Russia, the state remained a major investor through parastatals – that is, through co-owning and in some cases running corporations – and SWFs – that is, through managing huge pools of investment capital (Alami and Dixon, 2020: 70; Wooldridge, 2012: 2, 5).

While the Chinese and Russian states had completely sold some of their old parastatals, they only partially divested from others. The Chinese state remained (ca. 2012) "the biggest shareholder in the country's 150 biggest companies," three Chinese parastatals ranked "among the world's ten biggest companies by revenue," and Chinese, Russian, and Brazilian parastatals accounted for "most of the market capitalisation" of their stock markets, at 80 percent, 62 percent, and 38 percent respectively (Wooldridge, 2012: 2, 4). The SWFs of China – as well as those of Saudi Arabia, and the United Arab Emirates (UAE) – were, meanwhile, "in the same league" as some of the USA's biggest mutual funds (Wooldridge, 2012: 2, 4). Three of the top five companies in the 2018 Fortune Global 500 were Chinese parastatals: State Grid, Sinopec Group, and China National Petroleum Corporation (Alami and Dixon, 2020: 71).

This was part of a larger pattern, by no means exclusive to these countries. Parastatals accounted for a third of the "emerging world's" foreign direct investment (FDI) between 2003 and 2010, and 28 of its 100 biggest companies (Wooldridge, 2012: 2, 4). A decade later, parastatals generated around a tenth of global GDP and 20 percent of global equity market value (Alami and Dixon, 2020: 71). In the mid-2000s, the aggregate value of SWFs remained substantially less than the money managed by central reserve banks, or more traditional state-run pension funds, but matched that of the global hedge fund industry by 2005 (Rozanov, 2005). In 2012, SWFs controlled about USD $4.8 trillion in assets (Wooldridge, 2012: 5). The number of SWFs worldwide increased from 50 to 92 between 2005 and 2017, by which point the assets under management grew to over USD $7.5 trillion – more than hedge funds and private equity firms combined (Alami and

Dixon, 2020: 71). In short, these state-capital hybrids are an important part of global circuits of capital.

2.3 From Neo-Liberal Globalisation to "New State Capitalism"

Wooldridge's (2012: 2) conclusion in *The Economist* that "new state capitalism" now "increasingly looks like the coming trend" would have been improbable just a few years earlier. The conventional wisdom was that, not only had statist models failed, but that a new era – usually dubbed "neo-liberalism" or "globalism" by its critics, also identified as the "Washington Consensus" – would both integrate and homogenise the globe. Moreover, the state's role under neo-liberalism would – it was argued – roll back the provision of law-and-order, national defence, and essential but unprofitable goods and services, such as the transport grid. This prognosis, shared by people from a wide range of perspectives, was predicated on the view that neo-liberalism would assume essentially similar forms everywhere, marked by political convergence, massive deregulation, lean states, and the gutting of the state sector.

In 1989, Francis Fukuyama achieved global prominence with his striking claim in *The National Interest* that the collapse of the Soviet model heralded the "unabashed victory of economic and political liberalism," enabled by the "total exhaustion of viable systematic alternatives" (Fukuyama, 1989: 3). This victory was "primarily in the realm of ideas,"" but would "govern the material world in the *long run*," with liberal democracy "underwritten by the abundance of a modern free market economy" (1989: 4, 8, emphasis in original).

In a follow-up book, Fukuyama (1992) developed and nuanced his arguments. Notably, he conceded that "the persistence of peoples" in the "domain of culture and of society," would foster "varied" interpretations "of the surviving forms, capitalism and liberal democracy" (Fukuyama, 1992: 213, 222). However, having suggested that contexts were significant, he quickly moved on to treat their effects as merely temporary and so, ultimately unimportant in the grand scheme of history. Thus, "possible interpretations" of the liberal order would be hemmed in by "increasing homogenization," "thoroughgoing rationalization according

to the principles of economic efficiency," a "universal consumer culture based on liberal economic principles," and "global markets" (1992: xiv–xv, 79–80, 108, 235, 244).

The claim that the emerging liberal order was intrinsically international and cosmopolitan was central to the booming literature on "globalisation" that took off at this time. Popularisers of this term, like Giddens (1991: 64, 70–78), meant a multi-faceted, uneven "intensification of worldwide social relations which link distant localities in such a way that local happenings are shaped by events occurring many miles away." The term was often used to refer primarily to economic globalisation, and signal an unstoppable international economy based on free markets, "footloose" capital, and powerless states (see Hirst, 1997; Lang, 2006), and mutated into a synonym for neo-liberalism.

Popular accounts like Friedman's (2007: 233–234) *The World is Flat* outlined an unstoppable convergence driven by computerisation, international outsourcing, and free trade: the "inexorable march of technology and capital to remove all barriers, boundaries, frictions, and restraints to global commerce," including those of the nation-state. The same outlook was, essentially if rather less enthusiastically, shared by many on the left. Hobsbawm suggested that the "secular ideologies of nineteenth-century vintage" that promised "lasting solutions" had "failed," and that there was a decisive "weakening of the nation-state" in the face of the world economy and supra-national bodies (1995: 559, 563, 572, 574–576). Like Fukuyama, he imagined the new era as a rationalist, market-based one. So, "traditional religions" would be discarded because they had "nothing of relevance to say"; nationalism and "identity politics" were unlikely to provide "solutions" or generate potent "mass movements"; yet the left, equally, had no idea "what should be done" anymore (Hobsbawm, 1995: 565–568). There was, in short, no alternative to the new world order.

For Teeple (1995: 1), another Marxist, the 1980s was "a watershed decade, a turning point," marked by the "triumph of capitalism." This was expressed in the "adoption around the world of neo-liberal policies whose principle was the unrestrained economic power of private property." It entailed a confrontation between "capital" and "state property," with state interventions limited to the creation and entrenchment of free

markets (Teeple, 1995: 1, 75–76, 130, 169 note 2). Teeple (1995: 6, 33, 38) argued that neo-liberalism was the consequence of the "coming of the global economy," with an increasingly "supranational" capitalist class and a "global labour market." It was the "*hallmark of the transition between two eras*," harmonising "national capitals and nation-states" into one "global system of internationalised capital and supranational institutions" (Teeple, 1995: 2, 150, emphasis in original).

Other writers on the left simply collapsed neo-liberalism and globalisation together, while making the same claims of an epochal shift. Brecher *et al.* (2002: 3, 8–9, 10, 24, 36–37, 97) argued that "free-market globalization" ("globalization from above") allowed "big capital to "outflank," "undermine" and "usurp" the state, rendering "national regulation" meaningless unless there were massive changes in global rules and institutions. Moody (1997: 31, 61) spoke of globalisation as having "deepened ... attacks on the provision of public services," "destroyed" formerly protected industries, "reduced" "government employment" and "replaced" local businesses. For Bieler *et al.* (2008: 1, 7), "economic globalization" was "expressed in the increasing transnational organization of production, ... an integrated global financial market," and the "deregulation of labour markets," driven by an "emerging transnational historical bloc with the transnational capitalist class as its leading class fraction."

These analyses are all valuable in highlighting the onset of neoliberal, globalised capitalism. However, they fail to seriously consider the possibility and consequences of significant, sustained *variations* in capitalist and state policy and practice *within* that framework (Peck, 2023a), and the corollary, that states would remain central players in neo-liberal capitalism.

This lacuna requires some explanation. After all, substantial variations have long been widely recognised amongst, for example, Keynesian welfare states and import-substitution-industrialisation regimes (e.g., Esping-Andersen, 1990; Onimode, 1988), including by the "new" and "historical" institutionalist school approaches (e.g., Crouch and Streeck, 1997; Evans, 1989; Evans *et al.*, 1985; Sandbrook and Barker, 1985), and the "varieties of capitalism" tradition (e.g., Hall and Gingerich, 2009; Hall and Soskice, 2001). Moreover, as noted earlier, neo-liberalism

is flexible, dynamic, and evolving. There are, for example, numerous possible permutations of neo-liberal policy, including for parastatals: consequently, there is no reason to suppose that the world that converged on neo-liberalism must become monolithic in character.

One reason for the lacuna was the teleological character of much of the globalisation literature. This literature typically treated variations between countries and regions as *delays* in the development of globalisation and liberalisation. This conceded that significant differences in policy and practice existed, but dismissed them as temporally bounded archaisms, rather than viable models. This was expressed by Fukuyama's (1992: 213, 222) insistence that "peoples," "culture" and "society" would have no long-term effects on capitalism and liberal democracy. Fukuyama (1999: 40, 42) defended this position throughout the 1990s. He insisted, for example, that the "so-called 'Asian development model"' would die off, having become "even more deeply discredited," and that the "apparent stalling of reform in Russia" was not evidence of a "systematic" difference. A similar note was struck by Friedman (2007: 237–238). He conceded that the "old boundaries" that "structured our economic and political life are not disappearing swiftly everywhere," but insisted that, nonetheless, "they are disappearing" as we "make the transition."

The same basic perspective was shared by many on the left. Teeple (1995: 141) projected that the new global capitalism "spells the end of many national restrictions," and that reforms to protect people and nature will be "eroded or eliminated as national jurisdictions succumb." For Brecher *et al.* (2002: 4, 34, 121, 146 note 4), the new global polity was still "emerging," but the new economic order underlying it was already in place.

Another (second) reason for the lacuna was the argument, often made on the Marxist left, that variation between countries was *itself* evidence of the new era. Drawing on notions of combined and uneven development, or on Marxist theories of imperialism, or on dependency theory, this line of reasoning rejected Friedman's and Fukuyama's prognoses of international homogenisation. While it shared their emphasis on a single, unstoppable, global process to which all were subject, it projected that the emerging global order would inevitably be characterised by inequities

and unevenness. Yet such variations really amounted to a "functional differentiation" between regions within a single "world society" subject to a universal history and single logic (Casanova, 2011: 253–254). Thus, variation between countries within globalisation (or neo-liberalism) was taken as simply an expression of a single, unifying global order.

Hobsbawm (1995: 563–565, 571), for instance, argued that the "ultra-liberal utopia" was inherently inequitable, and (supposedly) generated a growing "chasm" between "rich" and "poorer" countries. For Moody (1997: 6–7, 37, 42–43, 47–49, 52–65), the "rapidity, scope, and depth to which the world has been subjected to the forces of capitalist accumulation and market regulation" was "unprecedented," and based on "uneven development" and global division of labour. The system was not "seamless," but a "patchwork," "fragmented, nationally divided," yet all under a single world economy. Likewise, Brecher *et al.* (2002: 4–5, 53–54) argued that neo-liberal globalisation entailed regional inequalities and "restored much of the global dominance of the former imperialist powers," including through bodies like the International Monetary Fund (IMF), World Bank, and the World Trade Organisation (WTO). Thus, states were reduced to enforcers of that order, but some states wielded far more power than others.

These lines of argument, from the right and the left, shared a schematic and teleological approach that had little place for an investigation of concrete cases – or for data that did not fit their projections. Another (third) key reason for why the literature ignored the scope for significant, sustained variations in policy and practice within neo-liberal globalisation was an economism, derived from both liberal and Marxists sources, that downplayed the importance of institutional and cultural contexts, and failed to take states seriously.

In these accounts, the driving force was global economic integration, and the rise of some sort of global polity and transnational capitalist class as effects of this force. These global actors centred on multi-national corporations, were enabled by new technologies and the failure of older models and were underpinned by the rule-based order established by institutions like the IMF, the World Bank, and WTO, including through Structural Adjustment Programmes (SAPs), also called Economic Structural Adjustment Programmes (ESAPs).

It followed that state power was in steep decline in the face of global capitalism; that state actions merely reflected the new order; and, finally, that politics and culture worldwide would be centred on liberal and consumerist values. In many accounts (e.g., Brecher *et al.*, 2002), these points played out in the insistence that adoption of neo-liberalism in poorer countries was largely due to external pressures on national states. These pressures centred on the IMF and World Bank, which granted loans to highly indebted states – short-term by the Fund, long-term by the Bank – on condition of adopting SAPs, which were essentially blueprints for neo-liberal reforms that were then diligently implemented by the debtors.

Such economistic accounts misread the situation. Firstly, it was *states*, especially the more powerful ones, that constructed the new era; states were not the victims of neo-liberalism but its authors and enablers. SAPs are literally *state-led* programmes to establish neo-liberalism, based on agreements between states and multi-lateral bodies. The Bretton Woods institutions (the IMF; World Bank; and WTO) are not autonomous powers floating above states, and that set policies and loan conditionalities in a vacuum. Contrary to the impression given by a great deal of left-wing discourse on neo-liberalism, they are not run by – nor are they simply proxies for – multi-national corporations. They were and remain *multi-lateral* institutions, in which competing states battle for resources and control. While the IMF and World Bank have private and institutional shareholders, all key decisions are made by *states*, based on the number of shares held, and by the bureaucracies and management that states appoint and fund. Likewise, the WTO set up in 1995 and in charge of the rules for trade, is run by states, although on a more democratic basis: one state, one vote.

The adoption of neo-liberal policies by the IMF and World Bank, including SAPs, must itself be explained by reference to *state* actions. At their founding in 1944, these institutions were profoundly influenced by J.M. Keynes' blueprints for multi-lateral management of the world economy. They spent the next forty years funding *statist* projects including ISI, Keynesian policies, and – in some cases – Soviet-style central

planning.[1] Strict conditionality-based lending and SAPs, tying funding to free market reforms, came very late in the day, and must be explained rather than taken as essential features of either the IMF or World Bank.

The rupture in policy and practice in the IMF and World Bank – that is, the shift from support for statist models to an embrace of neo-liberalism – was, primarily, the *consequence* of a shift towards neo-liberalism by key states. As noted earlier, the two institutions were based on a shareholder model. This mean that decisions were skewed towards Western countries that held the largest shares, like Great Britain and the USA. A major reason for the shift in IMF and World Bank policies was the *prior* shift towards neo-liberalism by those powerful states, such as the adoption of Thatcherism in 1979 and of Reaganomics in 1981.

This is not the whole story, either, since key countries outside of the West moved towards neo-liberalism before the shift in the IMF and World Bank, and indeed, before Thatcherism and Reaganomics. Chile is well known for its adoption of rapid economic liberalisation from 1974, Zambia's government was shifting towards economic liberalisation by 1977, i.e., before SAPs even existed (see Akwetey, 1994: 54–55), and Deng Xiaoping's reforms in the People's Republic of China started in 1978. Moreover, many countries outside the West adopted neo-liberalism from the late 1970s – including, as we shall see, all three of our African case studies – without being beholden to the IMF and World Bank, without having SAPs imposed from outside, and without debt crises.

This data draws attention to the existence of substantial variations *between* countries, in terms of both the timing and forms of neo-liberalism. Many poorer countries adopted SAPs due to a combination of debt crisis and the absence of alternative lenders: as such, they were beholden to any conditionalities that the IMF or World Bank stipulated. Other states opted for SAPs in the *absence* of such crises,

[1] There was no objection to statism, nor indeed to funding innumerable projects that implementing states dubbed "socialist" or "anti-imperialist." For example, the IMF initially included countries from the East bloc, which later withdrew only under Soviet pressure. China, Hungary, Poland, and Romania joined the IMF and World Bank from the 1970s and used IMF facilities for their then-centrally planned economies. The World Bank was the key funder of Tanzania's 1970s *Ujamaa*, a so-called "African socialist" model: see Mittelman (1981: 203–204, 213–225) and Pissulla (1984: 65–70).

including Zimbabwe in 1990 – of which more later. Deng's reforms *led* China to seek membership of the IMF and World Bank, obtaining secure loans from 1981. After 1989, many former East bloc countries, like Poland, adopted SAPs as part of a deliberate break with the Soviet era. Some states in the South that moved towards neo-liberalism in the absence of debt crises, or SAPs, like South Africa (and by extension, its colony from 1915–1989, South West Africa), were also barred from IMF and World Bank facilities through the 1980s.

This not only highlights the agency of states in shaping the rise of neo-liberalism but draws attention to the existence of substantial variations *between* countries, again in terms of both the timing and forms of neo-liberalism. The example of Zambia illustrates the importance of national conditions in this respect. Thus, Zambia (formerly Northern Rhodesia) shows how local factors conditioned even the classical situation of a bankrupt country adopting an SAP. Copper revenue collapsed in the early 1970s, gutting the funds on which the state relied for ISI and for the fiscus. The Zambian government started to independently adopt elements of liberalisation from 1975, then opted to work with the IMF to stabilise the economy through austerity and deregulation from 1978, and only adopted a SAP in 1983.

Nor did the adoption of neo-liberalism by these countries render them homogenous. For example, there was enormous variation in the actual implementation of SAPs. Despite binding agreements, a substantial number of debtor states simply failed to adhere to carry out required reforms, meet deadlines and other targets, or spend the loans as required. There is often a significant difference between formal policy and actual implementation: care must be taken to avoid reading outcomes from intentions.

For example, the tendency for state spending to balloon under neo-liberalism – rather than follow the template of fiscal austerity – is well-documented (e.g., Hirst, 1997: 421–422). Many states are quite willing to accept FDI and loans, but soon prove unwilling – or unable – to carry out their side of the deal. For example, economic reforms in Zambia in the 1980s and 1990s stalled as the government backed away from price liberalisation, used loan funds for patronage and other corrupt practices, and then refused to meet its debt repayment obligations (Rakner, 2003:

54–62, 134–170). As happened elsewhere (see Makgetla, 1993), the local ruling class used SAPs to protect its own power and interests. The Zambian failed to implement most reforms required by the IMF as a condition of funding. This was partly because of the character of the Zambian state itself, especially its inefficiency and patronage, and partly because the state did not operate in a vacuum, but was constrained by wider society, and, especially, large-scale working-class resistance (see Akwetey, 1994: 53–57; Riley *et al.*, 1994: 148–150).

Again, national contexts and states matter – or what, Fukuyama's (1992: 213, 222) labelled "peoples," "culture" and "society" – have irreducible effects. These contradict theories (like Friedman's and Fukuyama's) that posit homogenisation in the liberal world order, as well as arguments (like Hobsbawm's and Teeple's) that insist that variation is itself an expression of functional differentiation within a single overriding world system.

Thus, arguments that reduce the adoption of neo-liberalism in most of the world to the machinations of the IMF and World Bank, and that assume such bodies are practically omnipotent, get the chronology wrong and cannot explain numerous cases. Claims that SAPs entailed "colonialism in a new guise" (e.g., Buthelezi, 1991: 39) helped draw attention to Western dominance in the IMF and World Bank but gravely understated non-Western agency. The IMF and World Bank, and similar supra-national bodies, are not all-powerful agents that can remake reality: they are profoundly constrained by existing states and societies. The states are shaped by their histories, structures, capacities and contexts; the societies are shaped by classes and other groups with different amounts of power, influence and organisation and opportunities in specific political economies (Evans, 1989; Heller, 2000); all are affected by their regional global contexts but are not simply expressions of such contexts.

The failure of much of the literature on neo-liberalism and globalisation to take states and national conditions seriously is evident in many other examples. Hobsbawm's (1995: 576) argument for declining state power rested heavily on a supposed contrast between an earlier period in which "the impact of global forces, such as world economic booms and slumps" was "filtered" through state policies and institutions, and today,

when the state is on "the defensive against a world economy it could not control." But few modern states have ever had exclusive sovereignty over their territory, and all have been constrained by external forces.

Hobsbawm (1994: 575–576) also argued that the nation-state was being "eroded" by "rapidly losing power and function to various supranational entities." The problem with this formulation is that, as indicated, all the key supranational institutions associated with globalisation are constructed by states. They constrain states, in some ways, but are by no means a new "polity" (Brecher *et al.*, 2002: 4, 34), or unitary "global system" that simply overrides states (Teeple, 1995: 2, 150: rather, they are one of the means through which states seek to manage the new era of capitalism (Hirst, 1997: 412–413). Nor was this globalising system simply homogenising societies, with a collapse of "secular ideologies" and "traditional religions," and impotent national and identity-based movements (Hobsbawm, 1995: 565–568). On the contrary, religiosity has boomed since the 1970s, and various forms of communal and identity politics have proven extremely potent (e.g., Hooper *et al.*, 2010). Culture, tradition, and nation remain central in the neo-liberal era.

Admittedly, the centrality of states and nations was, it must be said, sometimes noted by those who analysed the neo-liberal era in terms of a unidirectional global convergence. The problem is that the significance of this data was simply not appreciated and had little effects on overall analyses.

Fukuyama (1989: 6–7) himself conceded that economic norms were deeply shaped by "the realm of consciousness and culture," leading to great variations in economic behaviour, yet he still insisted – without evidence – that, if all states adopted economic and political liberalism, all would become essentially identical. Similarly, Moody (1997: 6–7, 37, 41–84) noted that while "corporations operate world-wide, as do financial markets" "most things, including the production and consumption of most goods and services, still occur at the national level." However, he did not consider how variation "at the national level" fostered substantial variations in neo-liberalism itself. Bieler *et al.* (2008: 4, 7) overtly criticised accounts that ignored "historically specific national social relations of production and the state and its institutional set-up," and how "forms of state . . . differ drastically." Nonetheless, their account still

insisted that that neo-liberalism centred on a literally "transnational capitalist class" unbounded by national contexts.

2.4 Linking "State Capitalism" to "Embeddedness"

A more useful approach to these issues can be discerned in traditions like economic sociology, the varieties of capitalism school, and historical institutionalism. Evans (1989: 562), writing in the last-named tradition, criticised accounts that treated states as monolithic. Substantial variations were permanent, structured features: states "are not standardized commodities" but "come in a wide array of sizes, shapes, and styles" (Evans, 1989: 562).

Evans (1989) did not deny the argument that external factors – such as a Western-dominated international order and associated and often recent histories of colonial rule – had important effects on the political economy of countries in what used to be called the "Third World." He accepted that many Third World countries had been slotted into the global division of labour as exporters of raw materials. However, he rejected dependency theory's insistence that state forms and national economic trajectories could be explained primarily by reference to an extractive and inequitable world system, or the notion that every Third World country was doomed to remain in perpetuity an "underdeveloped" exporter of raw materials. Like others (e.g., Sandbrook and Barker, 1985, on Africa; also see Bonner *et al.*, 2007; Higgot, 1983), Evans (1989) pointed out that the very general, as well as economistic and reductionist model used by dependency theory, could not account for the enormous variations within the Third World, including the rise of the newly Industrialised Countries (NICs), some of which – like South Korea – are now among the world's largest economies.[2] Rather, Evans (1989) argued, variation in state form, including in state capacity – and

[2]Of the world's twenty largest economies by nominal GDP in 2025, ten – including the largest, the USA – are former colonies or were formerly under external Western or Japanese imperial domination: in descending order, they are the USA, China, India, Italy (which became unified and independent in 1870 after the *Risorgimento*), Canada, Brazil, South Korea, Australia, and Indonesia. The top ten economies by share of global manufacturing include, in descending order, China, the USA, India, South Korea, Italy and Mexico.

so, too, in prospects for economic development – was deeply shaped by the societies, especially the class structures, in which states were embedded.

In his analysis of the globalisation of capital from the 1970s, Hirst (1997: 418–419) made a similar point. He agreed with Moody (1997: 6–7, 37, 41–84) that that capital was far less mobile than many claimed, and that nation-states still mattered. However, he drew rather different conclusions. While Moody (1997) posited a global convergence in which mobile capital was central, Hirst (1997) insisted, firstly, that multi-national corporations were neither rootless nor, in fact, were they truly transnational. Rather, giant forms remained "firmly embedded within particular nation-states." Since states varied, with very different national contexts and profound policy differences, there could be no uniformity in global capitalism, nor could multi-national corporations operate outside of national contexts. Indeed, the giant multi-national corporations themselves did not follow a single global template, but were shaped by their immersion in national alliances, laws, policies, support, and business culture, which had significant effects on firms' competitiveness and operations (Hirst, 1997: 418–419, 422–423).

Now, if there is, after all, no world economy – nor any cluster of genuinely transnational corporations, or a transnational ruling class – floating above states and nations, and if there is a wide range of state and nations, it follows that neo-liberalism itself will be understood, implemented, and developed in a wide array of ways. Rather than a monolithic neo-liberal order with local variations resulting from tardiness on a set road to a single future (the view of Fukuyama and Freidman) or due to the combined and uneven development within a single system (as per Hobsbawm and Moody), it becomes possible to think in terms of *multiple neo-liberalisms*. These arise from irreducible variations between countries that are largely explicable by reference to distinctive geopolitical, socio-economic, and institutional conditions, including the imprint of states.

The existence of such variations within the neo-liberal era was undeniable by the late 2000s – and we can now start to see the notion of new state capitalism as gaining traction as a means of categorising these differences. Thus, for Wooldridge (2012: 1), developments in Brazil,

China and Russia represented "a 'new state capitalism,' which tries to meld the powers of the state with the powers of capitalism." By locating "new state capitalism" *within* the neo-liberal era – at its heart were commercialised and/or partly privatised parastatals, including SWFs – it becomes possible to better understand what "new state capitalism" entails. Its core features are precisely that the state and capital "meld" in distinctive ways in specific contexts in the form of profit-seeking parastatals including SWFs, a focus on picking "national champions" and long-term global expansion and globalisation (Wooldridge, 2012: 1–3, 5, 9, 13). This may be "the rise of a potent alternative" to Western "liberal" capitalism (Wooldridge, 2012: 1), if by that we mean an alternative to the original iteration of neo-liberalism championed by figures like Margaret Thatcher and SAPs.

But this rests on a construction, in the literature, of "new state capitalism" as an aberrant capitalism, contrasted with a purported "liberal" capitalist norm. This contrast was premised on the questionable assumption that the state was largely passive in archetypical capitalism, and so, state capitalism was deviant for precisely this reason (Peck, 2021, 2023b; Sperber, 2019). This was contradicted by the evidence: first, the historical record indicated that extensive state intervention was the norm, rather than the exception, in capitalism (Alami *et al.*, 2022b: 248), and second, that this remained true even of Western states in the neo-liberal era. In the case of the USA today, for example, defence contracting, and state subsidies, including to scientific research, are crucial to high-tech manufacturing and Silicon Valley (Kim, 2022; Wright *et al.*, 2021).

Wooldridge (2012: 1, 3) was keenly aware of this longer history, arguing that "[s]tate capitalism has been around for almost as long as capitalism itself, citing as examples of "old" state capitalism: early charter corporations like Britain's East India Company, established in 1600; ISI in the USA and Germany, dating to the 1790s and 1870s, respectively; the Keynesian welfare state; and the four "Asian Tigers": (Hong Kong, Singapore, South Korea, and Taiwan. But what did these cases have in common, which made them all forms of state capitalism, besides extensive state intervention? Even if commonalities exist, what is gained by using the term "state capitalism" rather than simply "state

intervention," "statism," or something similar and more familiar? As a corollary, since almost all historical examples of capitalism involve extensive state interventions – including, as previously argued, within neo-liberalism itself – is the term state capitalism not, in fact, redundant?

Indeed, despite the widespread mobilisation of the concept of state capitalism, there is neither consensus about what exactly it means, nor about its defining features. While a growing body of work has emerged under the rubric of "new state capitalism," key questions remain unresolved. How do we measure (quantitatively) or characterise (qualitatively) the role of the state? Are certain forms of state intervention routinely regarded as indicators of state capitalism, while other equally significant forms are not, and, if so, why? What distinguishes new state capitalism from postulated older types? Does new state capitalism itself assume variegated forms? What are its consequences, socially, politically, and economically? What are its spatial dynamics? How do we explore the concept of state capitalism in empirical research?

Further confounding the problems is the absence of a systematic case for the superiority of the notion of "state capitalism" to already-existing alternative categorisations of capitalist types, such as those developed in the varieties of capitalism literature, like "hierarchical capitalism" (Schneider, 2023), and in institutionalist accounts that differentiate, for example, between "Anglo-Saxon," "Rhine," Japanese and other models (e.g., Albert, 1993; Crouch and Streeck, 1997; Evans *et al.*, 1985; Sandbrook and Barker, 1985). Also notable is the absence of serious engagement with work on state capitalism by anarchists, syndicalists (e.g., Holton, 1980) and Marxists (e.g., Gannage and Gannage, 1980; Van der Linden, 2007).

2.5 State Capitalism and African Political Economies

In short, analyses of state capitalism benefit from nuanced analyses of specific histories and contexts, and from an engagement with the historical intuitionalist and varieties of capitalism literatures. Comparisons and a wide range of case studies are, as these literatures have shown, especially useful. However, the booming literature on "new state capitalism" has paid little attention to African examples: African cases are

rarely considered, nor used as a basis for the development of theory. For example, the influential article by Wooldridge (2012) in *The Economist* focused on Brazil, China, and Russia, with some allusions to India, but left out the fifth BRICS nation, South Africa. Rozanov's (2005) ground-breaking discussion of SWFs listed two rather modest African examples – from Botswana (Bechuanaland prior to independence in 1966) and Uganda – but focussed on Asia.

The result is a somewhat distorted picture of today's new state capitalism. African data – usually neglected in discussions of these trends – reveal some surprising similarities. According to *Africa Report*, four of the ten largest, and eight of the top 35 African corporations in 2017 were parastatals (The Africa Report, 2019: 88). South African corporations, private as well as state-owned, dominate the top 50, and include four large parastatals – power utility ESKOM (formerly ESCOM), transport corporation Transnet (formerly South African Railways and Harbours, or SAR&H), national carrier South African Airways (SAA), and partly privatised telecommunications firm TELKOM – and two large firms formed from sold-off parastatals – SASOL, based on chemicals, and ArcelorMittal South Africa, built around the formerly state-owned Iron and Steel Corporation (ISCOR).[3]

There are only 11 non-South African firms in the top 50: eight are parastatals and include Sontratech (Algeria) in the number one spot, and Sonangol (Angola) at number three. South Africa's ESKOM and Transnet were at number four and number nine respectively, SASOL at number five, and ArcelorMittal South Africa at 44. In 2002, ESKOM – long the main player in the southern African power pool – also had investments (or bids) in 31 African countries, and nine elsewhere, including joint ventures and privatisation deals with other African parastatals (Greenberg, 2009: 92–97). In 2016, the "aggregate assets" of all parastatals in South Africa were valued at over R1 trillion, "or about 27% of GDP" (Som, 2022: 282).

[3]For reasons that are left unclear, the *Africa Report* survey lists the two main divisions of South African state corporation, Transnet, separately at numbers 16 and 45. The combined Transnet revenue places the firm at number nine. We are treating Transnet as a single state corporation.

The *Africa Report* list paid little attention to SWFs, like South Africa's Public Investment Corporation (PIC), but these are also significant. The PIC, which originated as the Public Debt Commissioners (PDC) in 1911, is Africa's largest asset manager, with assets under management of ZAR2.548 trillion in March 2022 (Public Investment Corporation (PIC), 2022: 5, 10), or just under USD $156 billion.[4] This can be compared to the Russian National Wealth Fund, which peaked at USD $201 billion in July 2022 (Russian News Agency, 2022), but which has subsequently stayed below USD $150 billion (e.g., Reuters, 2023). As the largest institutional investor on the Johannesburg Securities Exchange (JSE) (Public Investment Corporation (PIC), 2022: 5, 10), the PIC was responsible in March 2019 for around 12.5 percent of JSE capitalisation through a variety of investments.[5] If PIC investments on the JSE were traded as a single, distinct company, it would be the fourth largest, around 2.5 times larger than giant South African conglomerate Anglo-American Corporation[6] or SASOL, at seventh and eighth, respectively, on the JSE.

Thus, South Africa's PIC is larger than Russia's biggest SWF, and vastly overshadows those of Botswana and Uganda; its largest parastatals are gigantic corporations, with ESKOM's 2017 turnover of USD $14.3 billion only slightly smaller than the entire GDP of Botswana

[4] At the average 2022 exchange rate of USD $1=R16.37.

[5] Total JSE capitalisation in March 2019 was USD $982.56 billion (March 2019), or roughly R14.1 trillion (at the mid-2019 exchange rate). PIC investments, representing 12.5 percent of total JSE capitalisation, must then come to R1.1 trillion. The top three JSE-listed firms by market capitalisation for 2018 were Anheuser-Busch (R2.3 trillion), British American Tobacco (R1.8 trillion), and Naspers (R1.4 trillion). In mid-2019, Anglo was valued at R425 billion, and in seventh place on the JSE: data from https://www.sashares.co.za/top-100-jse-companies, as at mid-2019 (JSE, 2019). Note three qualifications for these calculations: figures were rounded up, the calculations were modestly skewed by use of exchange rates in mid-2019, and the comparison assumes that the PIC does not have holdings in the top three.

[6] Before the mid-1990s, South Africa's Anglo-American Corporation was by far the largest player on the JSE through its extensive holdings in banking, manufacturing, and mining. The corporation subsequently unbundled many non-mining assets, shifted its focus from South Africa, and moved key listings abroad. Nonetheless, its size has long been matched by the larger South African parastatals.

that year, which was USD $16.1 billion.[7] There is little research on African cases comparable to, for example, Musacchio and Lazzarini (2014) on contemporary Brazilian state capitalism. It is important to consider African cases, not simply because of the size and importance of the region, but because such cases have significant implications for the field of state capitalism studies.

On the other hand, scholarship on African political economy and economic history has rarely engaged with the bourgeoning new state capitalism literature. The notion of "state capitalism" does have an earlier history in these studies but rarely gained traction. In the 1980s, Sandbrook and Barker (1985: 10) disputed the claim that the extensive ISI interventions evident in many independent African countries were socialist – a label beloved of postcolonial states and their critics – and insisted they were "best described as state capitalism." However, this insight was never developed.

This scholarship developed against the backdrop of literature debating appropriate development paths in sub-Saharan Africa, and the class forces that could underpin such efforts (e.g., Babu, 1981; Onimode, 1988; Turok, 1990). Many of these works were influenced by variants of dependency theory, emphasising the effects of the European colonial legacy of integration into the global economy as suppliers of raw materials. The initial effect of dependency theory – and its major offshoot, world systems theory – was to close debates over national contexts and state forms, which were periodised and explained by reference to an all-powerful, monolithic Western imperialist system with a single logic that invariably generated "underdevelopment" and perpetual subordination through colonial histories and economic inequality (e.g., Amin, 1972). This analysis ignored data that contradicted its claims and paid little attention to how state form and class structures mediated the impact of the international economy, and had irreducible effects (e.g., Higgot, 1983: Chapter 3; Sandbrook and Barker, 1985).

During the 1970s, there was greater appreciation of the scope for African agency, shown in debates around the possibilities of "capitalist,"

[7]World Bank Group (n.d.), "GDP Botswana." Available at: https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?Locations=BW.

"socialist" and "anti-imperialist" options for national development (e.g., Onimode, 1988), as well as greater interest in African class structures and states. These represented shifts from the dependency framework, including their reduction of African elites to compradors and "petty bourgeoisies," which were deemed to be mere agents of an all-powerful imperialism.

One debate examined whether a genuine "African capitalism" existed, defined as local capitalists *independent* of the state (e.g., Iliffe, 1983; Kennedy, 1988). Another considered whether postcolonial political elites constituted a petty bourgeoisie or a "state bourgeoisie," but when the answer was the latter, this was not translated into a consideration of whether this logically entailed some form of state capitalism (see e.g., Ake, 1976; Onimode, 1988). However, little consideration was given to notions like state capitalism in these discussions.

These discussions gained a new lease of life as the deepening economic problems wracking most African countries, and which helped trigger the adoption of SAPs, were contrasted with the strides being made in parts of Asia and Latin America. Ghana (from 1957, and formerly known as the Gold Coast) and South Korea, to give one widely cited comparison, had similar resource endowments at independence, but the 1980s saw Ghana's economy remain small and narrow, while South Korea was a NIC built around manufacturing exports. While Asia increased its share of global exports from 12.4 percent in 1948 to 41.4 percent in 2015, the comparative figures for Africa were 7.4 percent in 1948 and 2.4 percent in 2015, despite trade flows increasing 10 percent per annum since 2000 (Diop *et al.*, 2015). Dependency theory battled to explain economic decline – including collapses in the capacity to export raw materials, the opposite of what the theory predicted – and the sharp economic divergence between sub-Saharan Africa and East Asia, as well as ongoing and even growing variations within Africa itself.

Thus, while all sub-Saharan African countries are integrated into capitalism, they vary enormously, in ways that simply cannot be reduced to histories of European colonialism, or insertion into the world economy as raw material exporters. For example, South Africa is a middle-income country with a preponderantly wage-dependent population, a sophisticated economy, and its own multi-national corporations, and

it has sometimes been classified as one of the NICs (e.g., Congress of SA Trade Unions (COSATU), 1987: 57). By contrast, Ethiopia has one of the world's lowest GDPs per capita, with over 85 percent of the workforce employed in agriculture, mostly as peasant smallholders. Additionally, its exports centre on products like coffee, and waged work is largely confined to the civil service.

The emphasis in the literature shifted to factors like corruption, weak state capacity and patronage politics (e.g., Evans, 1989; Sandbrook and Barker, 1985). The disastrous state of most African economies by the 1980s was such that African elites were now generally seen as the hub of "the 'rentier state' ... the 'parasitical state', the 'predatory state', the 'lame Leviathan', the 'patrimonial state'... the 'kleptocratic state', the 'inverted state', etc." (Mkandawire, 2001: 293). If African elites could still be considered a "state bourgeoisie," they were a ruinous rather than a modernising bourgeoisie. Such states are rarely answerable for their actions and elites were therefore largely free to use state institutions to access jobs, credit, contracts, and to build political support and accumulate personal wealth (Ayee, 2013; Bratton and Hyden, 1992; Turok, 1990: 154–159, 218–235, 244–246; Van de Walle, 2003).

These experiences pointed to the importance of examining the effects of wide variations between societies, their class structures and state forms (Sandbrook and Barker, 1985). This meant, *inter alia*, the need to avoid sweeping generalisations and essentialist claims about African states (see Mkandawire, 2001), political economies and class structures (Van der Walt, 2019).

Few studies of African countries have, however, used a "state capitalism" *problématique*. Turok (1990: 8–13, 47, 52–59) was unusual in developing a detailed, Marxist analysis based on state capitalism, with reference to the ISI project undertaken by Zambia after independence in 1964, and running roughly to the end of the 1980s. He rejected official claims that the country was based on some sort of "African socialism." Rather, it was a "model of state capitalism," akin to those in Latin America, in which nationalist states pursued ISI through a large state sector resting on state ownership of a valuable export – in this case, copper mining. There was state control of the "commanding heights" of the economy and of all major investments, a significant displacement

of foreign multi-national corporations, a nascent "state bourgeoisie," and limited but significant economic planning (Turok, 1990: 8–13, 47, 52–59).

Turok (1990: 11, 57–59) characterised state capitalism as intrinsically inefficient, lacking the "competitive energy" of "private capitalism" or the "political energy" of Soviet-type central planning, underpinning a broader claim that it was an "unstable, transitional form." This elided the extensive record of dynamic modern economies that fell between these two poles and underestimated the durability of state capitalist forms.

Since Turok (1990) identified socialism with Soviet-style systems based on state ownership and central planning, he was also unable to apply a "state capitalist" framework to the systems established in Angola, Ethiopia, and Mozambique from the 1970s. Countries with such systems – notably, China, Poland and the Soviet Union – have been analysed as forms of "state capitalism" by anarchists, syndicalists and some Marxists (e.g., Crump and Buick, 1986; Sperber, 2019; Van der Linden, 2007), but such analyses have almost never been systematically developed for equivalent African cases. Lenin's theory [1916] 1937 that capitalism had entered a (terminal) stage of "imperialism" based on "monopoly capitalism" – with a fusion of banking and industrial capital into giant "finance capital" firms that exported capital – had a significant influence on African Marxism. However, the subsequent elaboration of Lenin's theory from the 1930s into the theory of "state monopoly capitalism" (e.g., Gannage and Gannage, 1980) had little impact, even in debates over the issue of the "state bourgeoisie."

The notion of state capitalism was strikingly absent in studies of countries like Namibia (formerly South West Africa), South Africa, and Zimbabwe (formerly Southern Rhodesia, and Rhodesia from 1965). An extensive body of work developed that examined South Africa's evolving corporate structure, especially the rise of giant monopolies – some of which – most notably, the Anglo-American Corporation – had become home-grown multi-nationals – by the 1970s. Studies showed an extraordinary centralisation of capital in the private sector where the Anglo-American Corporation, for example, controlled 52.5 percent of shares listed on the JSE in 1983, rising to an astonishing 60.1 percent

in 1987 (Congress of SA Trade Unions (COSATU), 1987: 18–19; also see Innes, 1983, 1984; Savage, 1987).

However, work on these developments did not foster interest in theories of state capitalism. To the extent that this work engaged with Marxist theory, it drew on the Leninist of "monopoly capitalism"; there was little evidence of interest in the notion of state monopoly capitalism. Moreover, the interest in centralisation in the private sector that drove this work – and which was reinforced by the use of the Leninist model – detracted from studies of *state* capital, and especially, the parastatals.

For example, Innes (1983, 1984) pathbreaking work on giant South African corporations focused on mapping the private sector, especially the Anglo-American Corporation's labyrinthine structure. Innes concluded that the Anglo-American Corporation's "highly decentralized control structure" kept it off "the list of the world's top 100 companies" where it rightly belonged, and that the Anglo-American Corporation represented the larger rise of "monopoly capitalism" in South Africa and its status as an "imperialist" power (Innes, 1984: 236–241).

Yet, Innes' own data pointed to a capital structure in which parastatals outstripped almost all of the largest private conglomerates by a range of measures. For example, he showed (1983: 176) showed that three of the ten largest entities by assets in South Africa in 1979 were *state-owned*, with SAR&H in the top spot, ESCOM third, and ISCOR ninth. The state-regulated but private-owned South African Reserve Bank was number six. SAR&H and ESCOM were monopolies, while ISCOR dominated iron and steel production. The giant Anglo-American Corporation came in fifth, mainly because its subsidiary, De Beers, was listed separately at eighth place. Even when the Anglo-American Corporation and De Beers were combined, they barely squeezed past the SAR&H for the top spot – and none of the other private conglomerates came close to either SAR&H or ESCOM.

The parastatals were not, however, incorporated into Innes' "monopoly capitalism" model; and if anything, they were downplayed in his analyses, presumably because his Marxist model fostered a focus on private capital and its evolution into "monopoly capital." This downplaying was despite Innes noting numerous joint operations between

giant private firms like the Anglo-American Corporation and the parastatals (Innes, 1984). This determined focus on the private sector and its workforce ignored the fact that the South African state was (by far), not just the biggest owner of capital assets, but also the largest single employer. Around 1978, for example, the SAR&H alone employed about 228,000 employees (Beaumont *et al.*, 1978: 73), comparable to the total numbers employed in the Anglo-American Corporation's massive South African gold mining operations.[8]

A modest literature, emerging from the 1970s, developed comparative analyses of African and non-African states. South Africa and Zaire (formerly the Belgian Congo), and to a lesser extent, countries like Ghana, were compared to East Asian and Latin American states. In addition, Zimbabwe was compared to Kenya and South Africa, while South African industrialisation was also compared to that of nineteenth-century Germany (e.g., Cooper, 1991b; Berger and Godsell, 1988; Denoon, 1983; Evans, 1989; Moll, 1991; Mosely, 1983; Trapido, 1971; more recent notable work in this vein is Mkandawire, 2001). This comparative work, too, did not make use of a "state capitalism" framework.

Orthodox economists – viewing state ownership and intervention as antithetical to capitalism – also relied on comparisons, unfavourably comparing countries like South Africa with a purported free market capitalism. In arguing that state interventions in the economy in apartheid South Africa entailed "socialist procedures" (Hutt, 1964: 177) on a "freeway to communism" (Wassenaar, 1977), they ruled out, *a priori*, any conception of state capitalism.

In more recent years, the notion of state capitalism has been rare – albeit increasing – in discussions of Namibia, South Africa, or Zimbabwe. Work on Namibia and Zimbabwe that uses a state capitalism framework does so in relation to investments from abroad, particularly Chinese (e.g., Gu *et al.*, 2016). Van der Merwe (2014) inched towards a state capitalist perspective by suggesting that post-apartheid South African parastatals were part of a "government-business-media" accumulation

[8]The Anglo-American Corporation's gold mines in South Africa employed 180,446 black African miners in 1987 (Crush, 1995: 17 Table 1). This figure excludes white employees. These were often an additional 20 percent of the workforce, giving us around 35,000 more people, for a total of around 215,000.

"complex." Tsheola and Sebola (2016) were unusual in describing these state corporations as examples of state capitalism. Besides our own work (Van der Walt *et al.*, 2022), Som (2022) provides a key study of South Africa using the state capitalism framework. Having briefly introduced the history of the parastatals but focused on mapping the sector, she examines post-*apartheid* debates around privatisation and regulation, and ongoing problems of patronage, political interference, and rent-seeking (Som, 2022: 281–309).

Nölke *et al.* (2019: 145–174) discuss South Africa as an example of "state permeated capitalism," rather than state capitalism, painting a dismal picture of policy incoherence, ruling class fragmentation, and domination by a so-called minerals-energy complex (MEC). The notion of the "MEC" refers here to an extraordinarily popular, albeit controversial – and as we will indicate later, problematic – thesis that argues that the centrality of mining, and mining-based chemical and energy in the South African political economy constitutes a "system of accumulation" that has blocked economic diversification out of so-called "MEC" sectors (for criticisms, the conclusion of this study).

2.6 Analysing State Capitalism in Sub-Saharan Africa

As per our earlier discussions of the state capitalism framework, and of the gaps regarding African cases (also see Van der Walt *et al.*, 2022), we argue that the application of this framework to sub-Saharan Africa, with a focus on African examples rather than foreign investors, is a valuable heuristic device. This requires, however, addressing two issues. The first issue to address in applying a state capitalism framework to sub-Saharan Africa is the enormous diversity of the region, which includes 47 recognised states – a quarter of all states worldwide. This variation has been downplayed by dependency analyses, as indicated earlier, which analyse the region by reference to its external (e.g., Amin, 1972) relationships rather than its own dynamics, states, and social structures. It is also absent in nationalist accounts that treat European conquest as the single most important moment in African history. Like dependency theory, this frames African history around a

triad of precolonial-colonial-postcolonial in which colonialism in Africa is completely conflated with modern, European conquest.[9]

These approaches tend to frame African societies and histories around the impact of the relatively recent period of modern European rule. This approach – mirrored in dependency theory – structures all African history around a comparatively short-lived period with uneven effects. For example, British rule typically lasted around 70–80 years, running from 1889 to 1964 in Zambia (Northern Rhodesia) and from 1890 to 1965 in Zimbabwe (Southern Rhodesia). By way of comparison, Algeria was under the Ottomans from 1516 to 1830 and Egypt, from 1517 to 1882. Lenin's ([1916] 1937) theory of imperialism as centred on "monopoly capitalism" and capital exports to colonial and semi-colonial territories has a similar effect. It understates variation by treating African experiences as derivate of a single global process, foreshadowing the radical simplifications in later accounts of neo-liberalism and globalisation.

While modern European colonial rule shaped national borders and fostered reliance upon raw material exports,[10] the duration and forms of imperial rule varied considerably. European colonial rule in parts of Angola and Mozambique date back to the 1500s, and in parts of Mauritius, Senegal, and South Africa to the 1600s, but had relatively little effect on the hinterlands. For most of sub-Saharan Africa, European rule really began in the 1880s and lasted into the 1950s, i.e., decades rather than centuries. Abyssinia (now Ethiopia) was an extreme case, largely independent of European colonialism bar seven (brutal) years of Italian rule, and able to expand its own empire in the modern period.

[9] In addition to African empires and expansive kingdoms, of which Abyssinia (now Ethiopia) is one of the better-known examples. There were numerous cases of outside powers ruling in parts of Africa before modern European imperialism. Neither Algeria, Egypt, nor Libya, for example, were independent countries at the time of the French, British and Italian take-overs of 1830,1882 and 1911, respectively: they were Ottoman colonies.

[10] Modern borders were largely established by colonial powers, but were not completely arbitrary, as they were also shaped by the boundaries of pre-existing polities and trade routes: in southern Africa. For example, the borders of Eswatini, Botswana, Lesotho reflect pre-existing states while the southeastern border of Zimbabwe follows that of the former Matabele kingdom, which in turn was subdivided into several Rhodesian provinces (see Paine *et al.*, 2024).

There were marked differences between Belgian, British, French, Italian, and Portuguese rule, as well as between colonies within each empire. Portugal, for example, had an extremely backward, semi-feudal economy: unable to modernise at home, it could barely afford to run its African colonies. British colonies increasingly operated rigid colour bars, but Belgium, France, and Portugal cultivated local black middle classes of *évolués* and *assimilados*. This could include voting rights: for example, these elites directly elected black African deputies for West Africa to the French parliament for most of the period from 1848 to 1960.

Without discounting the importance of economic factors in the "Scramble for Africa" from the 1880s, the Leninist emphasis on colonies as sites for capital exports homogenises African experiences. Most newly acquired colonies in Africa received little FDI from the 1880s, and this was concentrated in ports and railways and underwritten by states; nor were returns on African colonial investments particularly high (Jones, 1992a: 142–145; Jones, 1992b: 11–12; Rönnbäck and Broberg, 2019: 381–382). But matters were radically different for South Africa and Southern Rhodesia. South Africa, for instance, established in 1910 as a self-governing British Dominion, attracting around 43 percent of "total foreign investment in the continent of Africa" from 1870 to 1936 (Houghton, 1976: 38).

There were also important differences between the social structures of colonies that cut *across* the different empires. Austen (1987) developed an illuminating and useful distinction between "*étatiste*-peasant regimes," and "regimes of competitive exploitation." *Étatiste*-peasant regimes were based on large indigenous populations of small-scale farmers occupying their own land, or living as tenant farmers, ruled by expatriate officials directly representing the imperial state, and centred on cash crops for sale to Western trading firms (Austen, 1987: 122–154). The colonial state operated with extremely small budgets, which made it difficult to develop basic infrastructure, and relied heavily on landed African aristocrats and monarchs carried over from the precolonial era (Austen, 1987: 122–124). These states predominated in west Africa, running from Senegal through Nigeria, but could also be found in parts of southern and east Africa.

The "regimes of competitive exploitation" were centred, by contrast, on significant local white populations, of European descent, that engaged in direct control of land, mineral resources, and labour (Austen, 1987: 155–196). While they made use of indirect rule through African aristocrats and royalty, they also developed economies through massive inroads into African societies, including through large-scale land expropriations, which over time undermined the power of pre-colonial elites. Compared to the *étatiste*-peasant regimes, these states were relatively sophisticated, powerful, and autonomous, developed significant parastatals, and the societies generated substantial local capitalist and working-classes, and more complex economies. Key examples include South Africa, Southern Rhodesia, and South West Africa.

The differences between *étatiste*-peasant regimes, and regimes of competitive exploitation are trivialised by accounts that treat indirect rule as the defining feature of European rule and colonial states (e.g., Mamdani, 1996). In insisting, on this slender basis, that South Africa was not substantially different from, say, Uganda, and that its homeland system – a system of balkanisation based on semi-autonomous black states, complete with their own parliaments, mass media, civil services, militaries, and parastatals, discussed later in this study – was simply a variant form of indirect rule, such accounts downplay the fact of profoundly different political economies.

South Africa, for example, completed an industrial revolution by the 1940s, as well as experiencing generalised capitalist revolution in agriculture, and the proletarianisation of most of the population. Mining was always central to state revenue and foreign exchange earnings but was overtaken by manufacturing in the 1920s. By the 1970s, mining, and agriculture represented less than 15 percent of GDP; the independent peasantry, including tenant farmers, had long disappeared; and African aristocrats and monarchs had been reduced to salaried government officials. The GDP grew 4.5 times larger from 1948 to 1994 (Giliomee, 2010: 537), putting South Africa among the 30 largest economies worldwide by the 1980s.

It is important, at this point, to also take note of the pitfalls of a widely used binary in work on African political economies. This is the

one drawn between so-called "black" or "tropical" states,[11] like Ethiopia, Nigeria, or Zambia, and "white" or "settler" states, concentrated in southern Africa, but including outliers like Kenya (known as the East Africa Protectorate before 1920). These racial labels conflate demography with political economy, obscuring substantial variations. Only colonies with large local white populations developed "regimes of competitive exploitation," *but* not every so-called "settler" colony became such a regime. For example, Angola and Mozambique had large white populations: from the 1940s to the 1970s, these were considerably larger than those of Namibia (formerly South West Africa) or Zimbabwe (formerly Rhodesia, or Southern Rhodesia before 1965) in absolute as well as relative terms. However, the two Portuguese colonies had elements of both *étatiste*-peasant regimes, and regimes of competitive exploitation, and markedly different political economies from neighbouring South Africa, Southern Rhodesia and South West Africa.

The South African case also alerts us to significant variations within each type of colonies, as well as intermediate forms that combined the two types. No other African state, no other regimes of competitive exploitation, no other "settler" or "tropical" state, came close to South Africa's transformation.

Kenya, for example, developed substantial large-scale, white-owned commercial farming estates in the central highlands but these accounted for less than 10 percent of land; as well, peasant farming and cash cropping predominated, while mining never took off (Mosely, 1983). There was little interest in industrialisation, although there was some urban growth especially around the ports. Northern Rhodesia (Zambia) provides another intermediate example, with an economy centred on copper mines, followed by cash cropping. The small white-run commercial farming sector existed mainly to supply foodstuffs to mining towns (Larmer, 2017: 174, 177, 179), but there was very little land expropriation. The very substantial white population comprised of workers on the copper mines, and their families, who usually left when their contracts ended (Money, 2021: 81, 100).

[11] Before the 1990s, the term sub-Saharan Africa routinely excluded Namibia and South Africa and was used almost as a synonym for "tropical" or "black" Africa.

Other colonies with features intermediate between *étatiste*-peasant regimes and regimes of competitive exploitation, include the Belgian Congo Angola and Mozambique. The Belgian Congo (now the Democratic Republic of Congo) which shared the central African Copperbelt with Northern Rhodesia (now Zambia), shared many of the features of its eastern neighbour (see Nzongola-Ntalaja, 1983). Angola and Mozambique also combined the features of *étatiste*-peasant regimes and regimes of competitive exploitation: patchworks of mining, peasant cash-cropping, regions under charter company, and company and private estates, they leaned far more towards the *étatiste*-peasant type than the Belgian Congo, with extremely low levels of economic development.

At independence in 1975, after almost 500 years of the Portuguese presence, Mozambique was a rural society with less than 10 percent of land under cultivation, 95 percent illiteracy, no internal transportation and communications network, and barely any manufacturing beyond simple consumer goods (Isaacman and Isaacman, 1983: 3, 8, 161). Mozambique had a substantially larger waged labour force than Angola. Yet, this was largely externalised: substantial numbers of Mozambican men worked on term-limited contracts in South Africa and Southern Rhodesia, mainly in mining. In South Africa, they sometimes represented almost half of the black workforce in gold mining. In return, the Mozambican colonial state was paid fees and taxes. While South Africa and Southern Rhodesia were, from 1910 and 1923, effectively self-governing, with Namibia ruled by South Africa, all the other so-called "settler" colonies in the region were ruled by their respective imperial metropoles, including Angola and Mozambique.

South Africa's enormous power in southern Africa (discussed in detail below) and Ethiopia's roots as the premodern Abyssinian empire (part of the reason it has been wracked by secessionism from the 1960s), also point to the need to consider inequalities of power and wealth not just within but also *between* African countries – including the impact of regional hegemons. Mozambique's economy, for example, was heavily reliant on labour exports to South Africa, as were the small neighbouring states of Basutoland (now Lesotho), and Swaziland (now Eswatini), and South African investments predominated in Namibia and (Southern) Rhodesia (see below).

This underscores the point stressed by recent work on African states (see Mkandawire, 2001) of the pitfalls of sweeping generalisations about that ignore substantial variations in state's capacities, structures, histories, and contexts. As we have seen, Turok's (1990) discussion of postcolonial Zambian "state capitalism" argues that its malaise was mainly due to the inherent flaws of a mixed economy, which was neither capitalist fowl nor centrally planned fish. In fact, a closer reading of his own account indicates that many of Zambia's economic woes did not arise from the *general* features of ISI or mixed economies, but from problems *specific* to the country, and, specifically, its state form. Thus, Turok refers to an ineffective "parasitic" bureaucracy lacking appropriate incentives, an incoherent state apparatus with limited capacities, and the lack of a serious economic plan.

By contrast, the South African state (see below) had remarkable capacities and fiscal resources but consistently underperformed as a development agent due to policy choices and a fragmented structure and government. Zaire's state – successor to the Belgian Congo – was an extreme version of anti-developmental patrimonialism (Evans, 1989). Abyssinia (today Ethiopia), despite repeated reform efforts including the end of slavery in 1942, remained for much of the twentieth century an essentially premodern, semi-feudal state, until the revolutionary Marxist *Derg* regime of 1974 replaced it with a disastrous Soviet-style system that collapsed the economy, and triggered civil war and famine.

These cases also indicate the importance of a historical perspective centring change over time. The Belgian Congo was one of the more developed colonies. Richly endowed with raw materials, it was one of sub-Saharan Africa's largest mineral exporters, attracted significant manufacturing, with one of the world's fastest GDP growth rates from 1945 to 1960 (Sandbrook and Barker, 1985: 21, 53, 55) and had the "third largest number of African wage earners after South Africa and Egypt" in the 1950s (Nzongola-Ntalaja, 1983: 69). Under the predatory postcolonial dictatorship of Zaire established in 1965, employment collapsed, and per capita Gross National Product (GNP) fell annually by 2.1 percent for two decades (Evans, 1989: 569). Both Angola and Mozambique moved towards Soviet-style central planning from 1974 under Marxist-Leninist governments in an effort to modernise. The

South African state underwent significant changes from 1910, not least of which was the development of a party-state under *apartheid* from 1948, and the establishment of the homelands system from the 1960s (see Hyslop, 2005).

2.7 Mapping "State Capitalism" in Southern Africa

Clearly, it would be a mistake to think in terms of a single African state capitalism, given these complexities. This brings us to the second issue to address in applying a state capitalism framework to sub-Saharan Africa: clarifying the scope of "state capitalism" for such an analysis. As argued earlier, the state capitalism framework can serve as a valuable heuristic device, but the problem is to have a clear, consistent, and useful definition, followed by a categorisation of different types.

As the foregoing indicates, the literature on African economic history, political economy, and states has rarely used this framework, and so, provides little guidance. In developing our approach, and considering the complexities of African histories, and the varied political economies that we noted, we obviously need a more expansive understanding of state capitalism than that of, say, Turok (1990), who applied it to a narrow slice of the history of one country. We would also want to build on Austen's (1987) crucial distinction between *étatiste*-peasant regimes, and regimes of competitive exploitation. In doing so, we will continue to restrict the usage of "state capitalism" to refer to state-capital hybrids, as distinct from state interventions in general, or the capitalist state. As noted, we draw a distinction between different *capitalist models* – like ISI – and the specific forms of state capitalism that may exist within each and anticipate that each would have specific varieties of associated state capitalism.

While we take on board Wooldridge's (2012: 2–3) argument that state capitalism "has been around for almost as long as capitalism itself," we affirm that his account provides little guidance in categorising its forms. Chatterjee (2017: 87–89), building on Musacchio and Lazzarini (2014), is helpful here, distinguishing between a twentieth-century state capitalism – "state capitalism 1.0" based on "direct and extensive government intervention" including "detailed planning and

overt protectionism," and "new state capitalism" – or "state capitalism 2.0." Twentieth-century state capitalism, by which Chatterjee essentially meant ISI, was "characteristically associated with the mode of 100 percent state ownership and control" of parastatals, which were "run as virtual extensions of the public bureaucracy." This is contrasted with new state capitalism, which is "state-steered rather than state-led." It emphasises public-private partnerships, and the emulation of private sector approaches by parastatals, which provides some "insulation from political interference" (Chatterjee, 2017: 87–89).

However, if state capitalism means extensive state influence in capitalism, as Chatterjee (2017) implies, then her two types – "state capitalism 1.0" and "state capitalism 2.0" – are far from exhaustive. Nölke (2014: 2–4) suggests a slightly different typology, structured around "waves" of state capitalism. He identifies the first wave as nineteenth-century tariff protections and ISI, backed by subsidies and infrastructure, as seen in Germany, Japan, and the USA; then a second mid-twentieth century wave, including fascist war economies, ISI in Africa and Asia, the Keynesian welfare state, and Soviet-type economies in the East; and then a further wave, the new state capitalism of the twenty-first century.

Nölke's (2014) typology has the great merit of expanding the scope of "state capitalism" by pushing it back to the nineteenth century, and by including twentieth century forms other than ISI. That said, it is schematic, essentially temporally structured, and incomplete. While conceding substantial differences between twentieth-century economic models, it does little to explore these differences, nor the varieties of state capitalism with which each might be associated. Rather, it emphasises purported commonalities. Nölke (2014: 23) argues that, while the "basic aims of state engagement – industrial development by any means deemed necessary – have remained more or less consistent in the first two waves of state capitalism," the instruments and its scope have expanded and become more sophisticated over time.

Surprising gaps in both Chatterjee (2017) and Nölke (2014) are evident when examining *colonial* forms of state capitalism, including the role of charter companies, the state in *étatiste*-peasant regimes, and "settler" regimes of competitive exploitation. Wooldridge (2012: 2–3),

correctly in our view, described charter companies as the first state capitalism. These were joint-stock corporations that are granted rights, often exclusive, by governments. While licensed by states, they were not controlled or owned by those states. While limited by terms of the charter, and representing the Crown, such companies were in practice independent, and could wield enormous power. The charter companies were a truly remarkable type of state-capital hybrid: historically, their rights have included not just trade monopolies, but the power to wage wars, sign treaties and rule territory.

For example, Britain only assumed direct rule of the Indian subcontinent from 1858 to 1947. Before 1858, the main European power in India was the East India Company and its local allies. For most of its history, then, "British India" was not actually ruled by Britain itself. Britain's East India Company also waged war against rivals, like the Netherlands' *Vereenigde Oostindische Compagnie* ("United East India Company," or VOC), and had around 260,000 soldiers at its peak – twice the size of the entire British army (Roos, 2020a). In West Africa, charter companies traded in metals, palm oil, slaves, and other commodities from the 1600s, the pillars of trans-Atlantic commerce. Notable firms included the Dutch West India Company, formed in 1621 and re-founded in 1675, and the French West India Company, formed in 1664. In the Indian Ocean, the French East India Company, formed in 1664, had bases in Mauritius and Réunion.

Formed in 1602, the VOC was the first limited-liability publicly listed joint-stock company, and worth USD $7.9 trillion at its peak in 1637 at current values. This was far larger than any modern multi-national corporation, or any parastatal including any SWF; the size, in fact, of the modern German and Japanese economies combined (Desjardins, 2017). Like its British counterpart, it had powers and capacities that no modern-day state corporations can boast: its own military, courts, prisons and places of execution, its own currency and the ability to enter treaties. Thus, in addition to numerous trading enclaves, the VOC directly ruled substantial parts of what are now Indonesia and South Africa. It was the VOC that established Cape Town in 1652: it ruled the Cape Colony until the 1790s, when it passed briefly to the Batavian republic from 1798 to 1806, followed by long-term British control from

1806 to 1910. The Dutch Cape Colony, in short, was only ruled by the Dutch state for eight of its 258 years of existence.

Generally, charter companies were based on merchant capital, i.e., on "mastering the interstices" between "existing productive and social systems," rather than founded on an "actual transformation in a productive system as a whole" (Freund, 1984: 57). Largely confined to coastal outposts, and almost completely uninvolved in production, they were reliant on the African aristocrats and merchants who sourced slaves and trade goods from the interior (Freund, 1984). The VOC's creation of a large, settled, farming colony in South Africa was extremely unusual, a form of "merchant colonialism" involved in production that exhibited features of modern capitalism (Ulrich, 2011).

All colonial states "played an integral interventionist role, regardless of the particular pattern" (Sandbrook and Barker, 1985: 54), and coercion of various forms was usually involved in the development of cash cropping in *étatiste*-peasant regimes (Austen, 1987: 140–141). There were other ways in which the colonial state "came to intervene in commercial affairs on a scale far surpassing ... its indigenous predecessors": the imposition of government-issued currencies, establishing buying monopolies for private firms, regulations restricting African access to credit and land, limiting which crops could be sold, and extensive regulation of export prices including by monopsonic marketing boards (Austen, 1987: 134–137, 144–145).

But *étatiste*-peasant regimes were also (as noted earlier) weak and cash-strapped, and struggled to obtain the resources required to govern, let alone construct infrastructure required for exports or intervene heavily into local societies. Consequently, their power was usually largely confined to the capital city, and they relied heavily on alliances with African landed aristocracies and monarchs. These usually received some income from the colonial authorities in return for collecting taxes and providing labour and troops. They also engaged, on their own account, in imposing levies on commoners, including coerced labour; some established plantations of their own to take advantage of growing markets, including slave labour (Austen, 1987: 140–141).

As private investment in anything other than merchant operations was difficult to attract, *étatiste*-peasant states were in a bind. They

ended up taking responsibility for harbour and railway projects, either building them directly, or subsidising private investors (Austen, 1987: 126–129), yet they lacked the funds and capacities required for such operations.

A revival of the chartered company model, albeit now with a focus on direct control over land in return for infrastructure, soon became an attractive solution for *étatiste*-peasant regimes. The earlier charter companies had generally closed from the 1700s. The Dutch West India Company closed in 1791, the *Société Grou et Michel* (successor of the French West India Company) in 1793, the French East India Company in 1794, and the VOC in 1822, having already lost most of its possessions in the 1790s. The East India Company lost most of its possessions in 1858, when Britain took over, although it limped on until 1874.

The new wave of chartered companies, dating to the late 1800s, saw many *étatiste*-peasant regimes, and colonies with *étatiste*-peasant features, grant concessions to new companies. Usually these were only granted parts of a colonial territory, as in the Belgian Congo, Mozambique, and German-ruled Cameroon (Austen, 1987: 123–125). This model was also relatively short-lived: an outlier case was Mozambique, where it lasted into the 1930s. The new chartered companies soon acquired (an often well-deserved) reputation for fraud, the abuse of local (indigenous) populations, and a lack of investment in infrastructure or production. As a result, *étatiste*-peasant colonial states typically ended up taking over responsibility for the infrastructure that the companies had failed to deliver anyway.

While *étatiste*-peasant centred on integrating existing social forms into capitalism through taxes, trade, and tribute, mediated through local aristocrats and merchant capital, regimes of competitive exploitation intervened heavily in African societies with a focus on the construction of capitalist relations of production and proletariats. This more ambitious and far-reaching project required correspondingly more sophisticated and better funded states, able to undertake major, sustained investments in administrative, economic, and military resources.

An *étatiste*-peasant colony could get by with a small military and state, and foreign investment centred on merchant firms in *entrepot* centres. A colony of competitive exploitation required FDI, often to

large-scale mining operations, large white-owned commercial farming zones and developed substantial state apparatuses. While mining took place in some *étatiste*-peasant colonies, like the Gold Coast (now Ghana) and Nigeria, and in colonies with some *étatiste*-peasant features, like Angola and the Belgian Congo (renamed Zaire at independence, and subsequently, the Democratic Republic of Congo), mining developed on an unmatched scale in South Africa, South West Africa, and the Rhodesias, along with larger waged workforces.

In two of our case studies, charter companies had sole, sovereign granted control over entire colonial territories and were foundational to regimes of competitive exploitation. While the VOC was a distant memory in South Africa by the late 1800s, charter company rule and "merchant colonialism" (Ulrich, 2011) was revived for neighbouring territories around this time.

While much of what became South West Africa (now Namibia) was declared a German protectorate in 1884, it was initially left in the hands of a private company, the *Deutsche Kolonialgesellschaft fur Sudwestafrika*. Company rule was short-lived in South West Africa, where the *Deutsche Kolonialgesellschaft fur Sudwestafrika* company sorely disappointed the German government, which soon took over from the company and ruled directly (Melber, 2000: 29; South West Africa People's Organisation (SWAPO), 1981:16). This situation lasted until 1915, when South Africa captured the territory, subsequently ruling it as a colony and *de facto* province integrated into the South African political economy. South Africa adopted ISI in the mid-1920s, in which a central role was played by state-capital hybrids like parastatals including state development finance institutions, lasting into the late 1970s.

While South West Africa was protected by South Africa's tariff barriers, it was largely excluded from other aspects of ISI – like state-subsidised manufacturing projects – and had few parastatals of its own. Rather, it served as a supplier of raw materials and labour for South Africa, and a market for its goods until the 1960s, when some efforts started to be made to build local parastatals and manufacturing. The homelands programme, pioneered in South Africa, was also extended to South West Africa and with it, a proliferation of homeland parastatals. From the late 1970s, an uneven transition to neo-liberalism began, and

with it, the emergence of aspects of new state capitalism. However, this was characterised by inefficient, and in some cases, severely corrupted state corporations and state development finance institutions.

The creation of colonial Southern Rhodesia, and the evolution of state capitalism, has some parallels with South Africa and South West Africa. The British South Africa Company was founded in 1889, led by Cecil John Rhodes, and widely referred to as simply the "Charter Company" (Phimister, 1994: 2). It fused economic and political power in a company-state that could enter treaties, engage in military actions, and acquire land and mineral rights. It acquired a vast territory above the Limpopo – the northern border of today's South Africa – from 1890. Named "Rhodesia" after Rhodes in 1895, it was bisected by the Zambezi river, and the two parts were governed separately. The southern territory was consolidated as Southern Rhodesia in 1898, and the northern territory as Northern Rhodesia in 1911.

The charter of the British South Africa Company ended in 1922,[12] and – offered a choice of joining South Africa as a province – white Rhodesians chose, instead, self-government. From the 1930s, aspects of ISI were adopted and in the 1950s a federation of the two Rhodesias and Nyasaland (now Malawi) was established as a counterweight to South Africa. This fell apart in the early 1960s, but ISI accelerated. Soon after independence in 1980, the country (now called Zimbabwe) also adopted neo-liberalism but this gradually imploded, and the country experienced the rise of authoritarian, militarised state capitalism that echoed, if anything, the coercive and extractive activities of the old British South Africa Company days.

2.8 "State Capitalism" in Southern Africa, with South Africa as Regional Hegemon

We have mapped out several forms of state capitalism in southern Africa, including the charter company form, the parastatals (including government development finance bodies) of the ISI period, and the new state capitalism of the neo-liberal era. Before considering the three case studies in depth, it is necessary to make a final point that southern

[12] It was originally to end in 1914 but was extended following a dispute.

Africa had, and has, a regional political economy dominated by South Africa.

South Africa provided the quintessential example of the regimes of competitive exploitation and helped inspire similar efforts elsewhere in the region (Austen, 1987: 163). But the South African economy and polity was such that it was more than simply a variant of the regimes of competitive exploitation type. It differed from similar regimes not just quantitively – in terms of the sheer scale of its operations, but *qualitatively*, becoming the most industrialised and proletarianized country in African history, but also as a regional hegemon. Effectively a small imperial power, it dominated the larger southern African region. It also developed a powerful local (white) nationalism, fractured between a more inclusive white South Africanism, and a narrower white Afrikaner nationalism. The latter proved victorious with the electoral victory of the National Party (NP) in 1948; while the party did not win the popular (white) vote in 1948, its support grew in the following years, and it remained in office until 1994.

South Africa's power in the region was expressed in a range of ways. The country did not just have the largest wage-earning population in Africa, but it was also a major employer of people from neighbouring states. The powerful gold-mining companies in South Africa, organised through the Chamber of Mines, set up the Witwatersrand Native Labour Association (WNLA) in 1901 and the Native Recruiting Corporation in 1912, to source black African labour, not just from South Africa, but to organise the recruitment of migrant workers elsewhere, mainly in Bechuanaland (now Botswana), Basutoland (now Lesotho), Mozambique, Northern Rhodesia (now Zambia), Nyasaland (now Malawi), and Swaziland (now Eswatini) (Van der Walt, 2007). Until the 1970s, more workers from Basutoland, Mozambique, and Swaziland were employed in South Africa than at home.

By 1920, for example, 36 percent of black African mine labour in South Africa came from Mozambique, with a further 13 percent from Basutoland, Bechuanaland, and Swaziland (Yudelman and Jeeves, 1986: 123–124). While the Mozambican colonial state resented the outflow of labour to substantially better paying – if still very low-wage – jobs in South Africa, it was heavily reliant on fees charged to the mining

companies, the enforced remittance of wages, and taxes on workers' families (Crush *et al.*, 1991: 6–7).

South Africa was also a major investor in the region, helping finance the development of the northern states (Austen, 1987: 163), especially from the 1920s, and only Britain came close in terms of scale of investment. This was done both through parastatals s and private investors. For example, SAR&H ran the railways system of South West Africa, and had partnerships with railway firms across the subcontinent. By the 1970s, "[at] any one time more than 1,000 SAR railway wagons" were to "found north of the Victoria Falls" i.e., the Zambezi river (Hart, 1978: 36). It also leased out equipment and lines, and helped build, or in some cases operate, tracks and other facilities in Lesotho, Mozambique, Southern Rhodesia, and Swaziland (Beaumont *et al.*, 1978: 9; Hart, 1978: 34–36).

The rapid development of Lourenço Marques (now Maputo) in Mozambique into the colony's main port and largest town was the direct result of South African trade and investment (Harries, 1994: 141). The South African influence was so substantial that, from 1910, the Mozambican colonial state took steps to displace South Africa and other foreign investors through nationalisations (Penvenne, 1995: 17, 35). South Africa nonetheless continued to exert an enormous influence. Not only did the colonial economy of Mozambique rely on massive exports of migrant labour to its neighbour's mines, but those exports also rested on SAR&H facilities (Jeeves and Crush, 2005: 6–7).

The opening of large-scale mining on the Copperbelt from the 1920s saw FDI flow into Northern Rhodesia. The largest two investors were the London-based but US-financed company, Rhodesia (later Roan) Selection Trust (RST), and South Africa's Anglo-American Corporation (Innes, 1984: 97–141).

Founded in 1917, and headquartered in Johannesburg, the Anglo-American Corporation made its first big breakthrough when it secured control of diamond mining operations in South West Africa through the Consolidated Diamond Mines of South West Africa, formed in 1920, and secured control over De Beers in 1926. In the 1940s, it displaced the British-based Central Mining and Investment Corporation and its key local holding, Rand Mines, as the dominant mining group in South

Africa (McCulloch and Miller, 2023: 30). By 1987, it was major player not just in mining, but in banking, manufacturing, media, and retail in the country (Congress of SA Trade Unions (COSATU), 1987: 19).

South West Africa (now Namibia) was directly incorporated into South Africa for many years, including through (white) South African immigration, and direct representation in the South African government (van der Walt, 2003). While South African parastatals including state development finance institutions played a key role, the country was locked – by South Africa – into a subordinate economic role. Its Administration was not an independent state and had little scope for developing its own policies. For years it had few parastatals, and a tiny budget and the shift, from the 1960s, towards greater development followed South African decisions and relied on South African state development finance bodies and other parastatals.

This context is essential in understanding the dynamics of the region. While little in the way of a local (white) nationalism developed in South West Africa – where whites tended to identify either with Germany or South Africa – the situation was very different in Southern Rhodesia. Here, a strong local (white) nationalism, including an economic nationalism certainly developed – not so much against Britain as much as the British South Africa Company, and against South Africa.

With the company charter coming to an end in 1922, white Rhodesians voted two to one against incorporation into South Africa, securing instead Responsible Government in 1923. This meant that the territory was annexed by the Crown as a British colony but granted a large degree of self-government. By contrast, Northern Rhodesia reverted to the British Crown, although the British South Africa Company retained mineral rights from which it drew significant royalties until independence in 1964. Power was vested in an executive, advised by a Legislative Council of part-time councillors, mostly appointees: by the 1940s just eight seats were elected (e.g., Berger, 1974: 65–66, 989–99).

Nationalist sentiment was also shown in 1933, when the Reform Party won the Southern Rhodesian elections and formed the government under Godfrey Huggins, a decisive moment in a growing shift towards ISI (Phimister, 1988: 173, 179–181, 189–192, 195, 248) and discussed further below. Yet the country never managed to fully escape the South African

orbit. Without major mining houses or manufacturers of its own, for example, ISI relied heavily on foreign investors. Almost all significant private companies in manufacturing were "either ... subsidiaries or associates of a British or South African company," not least of which was the Anglo-American Corporation (Phimister and Gwande, 2017: 95, 111).

3

"State Capitalism" in South Africa

3.1 From the VOC to the Union of South Africa

In talking about "South Africa," it is important to be careful with both terminology and unit of analysis. In the 1850s, the area that would later be consolidated as a single South Africa was a patchwork of disunited territories. The term "South Africa" was being used by the 1870s, but there was no unitary South African state, or national or other identity, nor were the borders of "South Africa" self-evident. The term referred to a region, rather than a country. When pioneering Cape-based historian George McCall Theal issued the fifth edition of his synthesis, *South Africa*, for Fisher Unwin's "The Story of the Nations" series in 1899, the meaning of "South Africa" was by no means settled. The book's subtitle made it clear that Theal took "South Africa" to include "The Cape Colony, Natal, Orange Free State, South African Republic, Rhodesia, and All Other Territories South of the Zambesi" river (Theal, 1899).

In the 1850s, Britain ruled three main territories, all with a seaboard and significant hinterlands. These were the Cape Colony, which had passed from the VOC to the Batavian Republic in the 1790s, before ending up under British control; the Colony of Natal on the Indian Ocean, which had been annexed in 1843; and, sandwiched between

the two, "British Kaffraria," which was established in 1847. Beyond this area, there were substantial, independent African polities like the Basotho, Pedi, and Swazi kingdoms, the remnants of the Zulu empire, the Griqua states, notably Griqualand West, and a number of Afrikaner republics. Natal, a British colony, was based on a short-lived Afrikaner republic that was annexed in order to block access to the sea. The most durable Afrikaner republics in the would prove to be the *Oranje Vrijstaat* (the Orange Free State) and the *Zuid-Afrikaansche Republiek* (the South African Republic, or ZAR, better known as the Transvaal republic) in the interior, both of which were briefly under British control but then secured independence.

Capitalist relations of production were largely confined to the British colonies. Natal developed a modest plantation sector, followed by collieries, but was a backwater compared to the Cape Colony. This was still the largest and wealthiest European colony in sub-Saharan Africa, and Cape Town the largest and richest city. The British deregulated the Cape economy significantly in line with mid-Victorian liberalism, abolishing slavery in 1834, as well as the old mercantilist monopolies instituted by the VOC. There was a substantial commercial farming sector in the western Cape, mostly horticultural, especially grains and vines – and trading through Cape Town. The eastern Cape had commercial pastoral farming, especially wool, centred on Port Elizabeth (Mabin, 1986: 277).

The southern African region was marginal to the world economy at the time. In the 1850s, the Cape was important mainly as a stop-over for shipping between Europe and Asia, and so, too, for its strategic military value. Angola and Mozambique at the time were integrated into the world economy mainly as suppliers of slaves to the Americas – especially Brazil and Cuba, which only abolished slavery in 1888 and 1886, respectively – despite British efforts to halt the slave trade.

Banks and joint stock firms existed, but communications, transport and transhipping infrastructure were primitive and heavily reliant on state investment (Mabin, 1986: 282–283). Access to state power was important in local capitalist development, even at this early stage. Railways and harbours struggled to attract private investors, and it fell

to colonial states to provide most of the funding, or to attract private investors through contracts, including concessions, and guarantees.

For example, construction of the first railway began in 1858 when the Cape colonial government contracted a private firm to build a grid using imported steam engines, which would link Cape Town to small towns in its immediate hinterland (Huth, 1964: 7–11, 15). In the early 1870s, the colonial parliament, based in Cape Town, passed legislation allowing the state to extend the railways, and nationalise existing assets with compensation, which was largely completed by the end of 1876 (Huth, 1964: 19, 20–21). Cape Town's business elite and allied politicians and officials had an enormous influence on the colonial government and were able to direct the revenues of the entire colony towards capital expenditure on that city's port and harbours (Mabin, 1986). Although the younger port city of Port Elizabeth actually handled a larger volume and value of exports and imports than Cape Town, it was cut out of this investment (Mabin, 1986: 277–278).

Britain's Colonial Office sought to forge a Cape-dominated South African confederation from the 1860s, based on the British colonies and Afrikaner republics. The borders were by no means set: Britain's colonial possessions in the region were proliferating as steps were taken to defeat African polities that might threaten the proposed confederation, like the Pedi and Zulu in the 1870s (Robinson *et al.*, 1961: 60–63). Some of the lands acquired through annexations and wars were added to the existing British colonies. The Cape grew by incorporating British Kaffraria and Griqualand West, while the Zulu kingdom was annexed to Natal.

Confederation stumbled when the annexation of the Transvaal republic in 1877 led to an armed rebellion that eventuated in the return of independence in 1884. This struggle was crucial in forging an Afrikaner nationalism that drew in Afrikaners in the Cape as well as both republics (Van Jaarsveld, 1980). However, the project of creating a larger, British-dominated South African state received fresh impetus from two sources.

First, there was an opening of large-scale commercial diamond mining in the interior in the 1860s, especially at Kimberley in Griqualand West from 1871, and gold on the Witwatersrand in the Transvaal republic from 1886. The region was moving from a marginal position to a central

focus of the world economy, and became far more attractive than earlier. Second, the 1880s also saw the onset of the Scramble for Africa, as European powers made claims on territories, and embarked on a series of conquests. In southern Africa this centred on rivalries between Britain, Germany, and Portugal. Germany gained South West Africa, Portugal was confined to Angola and Mozambique.[1] Britain acquired what became Basutoland (now Lesotho), Bechuanaland (now Botswana), Nyasaland (now Malawi), and Swaziland (now Eswatini) which became British protectorates in 1884, 1885, 1890 and 1902, respectively,[2] while the British South Africa Company established the two Rhodesias – now Zambia and Zimbabwe – from 1890.

The South Africa area soon became the world's largest supplier of diamonds, and of gold, which above all, helped trigger the massive FDI to the region that we noted above. Such was the quantity of diamonds available at Kimberley that it soon became evident that there was a need to limit output to prevent a collapse of prices. Cecil John Rhodes founded the De Beers diamond company. Its directors included another powerful expatriate mine-owner, Alfred Beit, for this express purpose. Beit, along with Jules Wernher, "took the keenest interest in Rhodes's scheme for amalgamation and assisted more than all others in bringing about the consolidation of the diamond interests" into De Beers (Frankel, 1969: 61 note 1). (After the South African takeover of South West Africa, this system of monopolistic control of the diamond supply was extended to that territory, where De Beers managed to secure control of the rich diamond fields in the southern desert – see below).

Whereas diamond mining was relatively cheap and easy, the gold fields of the Witwatersrand proved to contain vast amounts of gold but in the form of low-grade ore located relatively deep underground. This required huge investments for shaft sinking, pumps, chemicals, moving equipment, and crushing and other processing facilities, not to mention a great deal of labour.

[1] Portugal had also claimed a large territory that connected Angola and Mozambique but was unable to demonstrate that it ruled the area. Most of that area, including what is now Zimbabwe, thus fell into the British sphere.

[2] Swaziland was under British control from 1902 but did not fully become a protectorate until 1906.

The gold mines, which ran from east to west across the Witwatersrand, were soon controlled by large corporations – the "mining houses" – which were further centralised into a Chamber of Mines in 1887. Witwatersrand mining was a large-scale capital-intensive industry controlled by huge corporations and was responsible for 40 percent of the world's gold output in 1913. It had a vast workforce: over 200,000 people by the early 1910s, over half-a-million in the early 1980s.

The rise of a vast mining complex had enormous effects. For example, the emergence of the Witwatersrand fostered huge new urban markets: Johannesburg, its hub, grew from 3,000 prospectors in 1886 to 250,000 by 1913 (Krut, 1988: 135–136). Johannesburg was now the largest and most modern city in sub-Saharan Africa, overtaking Cape Town and greatly overshadowing Pretoria to the north, the Transvaal capital. This helped trigger a commercial revolution in farming in the interior, which eventuated in the destruction of the peasantry and the dominance of capitalist relations of production in the agricultural sector.

The shift of the economic centre of gravity into the interior also spurred massive expansions in telecommunications and transportation infrastructure. State power was crucial in that expansion. Railways linking the coast to the Witwatersrand became crucial to the future of port towns, as railways were the main means of reliable, mechanised inland transportation, given that the territory lacked navigable rivers. While mining attracted massive FDI, port cities struggled to attract private investors for the upgraded harbours and new railways needed to properly access the interior. By the 1870s, for example, Kimberley was the "most important single inland market for colonial merchants" (Mabin, 1986: 285). By 1880, "South Africa" had more railways than any other territory on the continent, including those of the Mediterranean (Huth, 1964: 4), largely state-run.

Initially, Cape Town edged out its rivals, establishing the fastest direct railway route from the coast to Kimberley by 1885, with the additional advantages of superior and cheaper docks, and special railway rates (Mabin, 1986: 295–298). This helped the city to capture the lucrative inland trade and further marginalise Port Elizabeth. It was also able to induce investors, like the Standard Bank – later a South African firm – to relocate from Port Elizabeth. By 1892, Cape Town

was also linked by rail to Johannesburg (Bickford-Smith, 1995: 129). However, it soon faced a growing challenge from Natal, where the main city, Durban (now eThekwini), had an excellent enclosed harbour and, from 1905, its own direct (and far shorter) railway to the Witwatersrand. The Transvaal republic, wary of reliance on British-controlled ports, had long wished to build its own railway to Lourenço Marques (now Maputo) in Mozambique. Now, awash in funds for the first time but sorely still lacking in capacity, it contracted the work to the *Nederlandsche Zuid-Afrikaansche Spoorwegmaatschappij* ("Netherlands South African Railway Company"). The line was officially opened in 1895, part of a growing Transvaal railway grid.

In 1895, Rhodes – now Prime Minister of the Cape – attempted a *coup d'etat* in the Transvaal. This was financed by Beit, used British South Africa Company troops; and commanded by Leander Starr Jameson, the Company's Administrator of Southern Rhodesia. The Jameson Raid, undertaken by a British charter company rather than Britain, was a failure and Rhodes had to resign under a cloud. However, it set the stage for the 1899–1902 Anglo-Boer War against the Afrikaner republics, the largest war of conquest in the Scramble for Africa. The defeated republics were given a degree of self-government, and Britain started to lay the basis for a unitary South African state by reforming and modernising the civil service and state structure, a process led by Milner and team of young technocrats known, informally, as the Kindergarten (see Hyslop, 2005, on Milner's reforms).

In 1909, Britain passed the Union of South Africa Act, merging the Cape Colony, Natal, the Orange Free and the Transvaal into a single state as provinces, and with them, the black African "reserves" within or attached to these states. The Act included provisions for the possible future incorporation of Basutoland, Bechuanaland, and Swaziland, as well as Southern Rhodesia after the British South Africa Company charter expired. These provisions, and South African expansion more generally – and the idea of a "Greater South Africa" – remained attractive to politicians across the political spectrum for decades (see e.g., Dedering, 2015: 458, 463–464). This was the backdrop for decades of plans to incorporate Southern Rhodesia and South West Africa after 1910.

The new country was a British Dominion, which meant it was largely self-governing including in policies and military affairs, with its own parliament. Citizenship was largely (later exclusively) restricted to whites, and the old Cape Town and Pretoria became the capital cities. The Crown was represented by a Governor-General, who could veto legislation or possibly dissolve parliament, but these powers were never invoked.

The creation of a single state was complemented by a restructuring of state assets. The South Africa Act made provision for a national, state-run railways system to own and run the older railway networks of the earlier colonies (Houghton, 1964: 191–192). Several countrywide parastatals were created in the 1910s by merging the assets of the defunct colonies: the national Department of Posts and Telegraphs (P&T) was established in 1910; railways and harbours were largely under state control from 1902 and were merged as the SAR&H, in 1916.

Both of these entities were underwritten by the state, and operated internal cross-subsidies. For example, in the P&T, "profitable telecommunications services ... balanced out large operating losses on the postal side" (Horwitz, 1992: 207). The SAR&H established a system that cross-subsidised low-value traffic so that it could be conveyed below cost (Beaumont *et al.*, 1978: 5). It was also involved in road transport from the 1910s, and steadily expanded these operations: its road services were not simply a feeder to railheads, but included other cartage, long-distance hauls, long-distance passenger buses and tours (Beaumont *et al.*, 1978: 7–9, 51, 27, 63). The parastatal was also given substantial protection against growing road traffic from 1930 through a licensing system that limited private operators, ensuring a central role in passenger transport to cover its "vast investment in operational infrastructure" and allow it to meet the "broader national interest" (Beaumont *et al.*, 1978: 5).

Local government played a central role in the development of water supply and storage, and regional water boards were established as state utilities (Houghton, 1964: 194). There were also modest steps towards state-based financial institutions. The PIC was founded in 1911 as the PDC, which managed state and SAR&H funds, including pensions; it soon provided loans to municipalities. It was, at this time, more of

a lender than an investor or an asset manager. The P&T operated a small savings bank system, which helped cover some of its own loan requirements (Horwitz, 1992: 207). A state Land Bank was created in 1912 to support white commercial farmers. Additionally, white farmers were assisted by access to cheap railways, through the cross-subsidy system, and low taxes. A South African Reserve Bank was established in 1921: although it was owned by private shareholders, its duties were narrow and set out in law, and its board was appointed by the government.

The mineral revolution, and the associated growth of urban areas and infrastructure, also fostered – as previously indicated – a rapid expansion of commercial farming in the interior. The republics' Afrikaner populations were, contrary to nationalist mythologies, very stratified. Many were tenant farmers, or *bywoners*, who rented land from the ruling notables; large parts of the Republics' black populations were, likewise tenant farmers (Pelzer, 1940–1941; Trapido, 1980). With the mining boom, the bigger, better capitalised white farmers, often drawn from the old class of Afrikaner notables, were able to move quickly towards capitalist production. White farming bifurcated into larger farms, which relied on wage labour and labour tenants, and produced for urban markets, and small farms, which rented out land, often on a sharecropping basis (Keegan, 1987). While Afrikaner nationalist accounts usually claim that the emergence of a large urban Afrikaner proletariat working on the Witwatersrand was primarily the result of Britain's scorched-earth methods in the Anglo-Boer War, many of these poorer whites were families evicted by white landlords who preferred black African workers or tenants (Trapido, 1980).

This was the context in which a Land Act was passed in 1913 by the new Union parliament. Around 10 percent of the national land surface was formally set aside as "reserves" for black Africans, wherein land could not be bought or sold, as the land was held under systems of nominally "communal" tenure controlled by black aristocrats. The Act also prohibited black African landownership outside of the reserves, in what was now deemed white South Africa. Land also features centrally in African nationalist accounts, according to which the Land Act devastated black ownership and farming of land (e.g., Plaatje, [1916] 1969).

In fact, black African owners of private land outside the reserves was already miniscule, and the Act also did not prohibit black African tenant farming, Rather, it forced black African residents on white-owned land to live as labour tenants or as wage labourers. This helped close down sharecropping arrangements, which had allowed black African tenant farming outside the reserves. The main effects were felt only in the 1920s, when the great assault on sharecroppers started to be vigorously implemented.

In 1936, the Land Act was amended, expanding the reserve territories to around 13 percent of the country. The revised Act established a state-owned South African Native Trust – later renamed the South African Development Trust – to hold reserve lands (Kloppers and Pienaar, 2014). Essentially, all so-called "communal" or "tribal" land was now vested in the state. The new state became the largest single landowner, through the parastatals like SAR&H, through government departments including municipalities, and through the South African Native Trust.

Even without the Land Acts, the scope for independent black African cash-cropping peasants and commercial farmers was extremely limited. Land was largely held by the state, or by white landlords. Within the reserves, the black African population was already very stratified. There was a modest boom in small-scale black farming from the 1880s (e.g., Bundy, 1972, but relatively few households – usually those of the old black aristocracy of monarchs, chiefs, and headmen – were able to engage in this cash-cropping; total output was modest (Lewis, 1984). The system of "communal" tenure limited the amount of land that could be accumulated and nullified its use as surety in loans. The closing down of sharecropping outside the reserves – the main alternative – was a hammer blow.

The reserves were run through a system of indirect rule, variously called "traditional" or "native" government, administered by the old aristocracy. The state, as landowner, allocated it to "tribal" or "native" (later called "traditional") authorities – or at least, those whose claims and lineages were recognised by the state. These notables in turn allocated the land to the commoners in patriarchal, ethnically based systems of fealty to these aristocrats, thus establishing a chain of patron-client relationships with is apex in the central "white" state. As the

aristocrats ruled through systems of traditional – also called customary law – and originated in conquered black African polities and societies, this system had a distinctly ethnic cast; as in Namibia under South African rule, it also meant that while the "white" area was governed by Roman Dutch law, each reserve area was under a its own traditional laws.

As elsewhere in Britain's African empire – including Zimbabwe – the aristocrats levied tribute, including forced labour on their lands, but they also received – and became increasingly reliant upon – state salaries (Maxaulane, 2014; Mzala, 1988: Chapter 3). In addition to basic governance functions, they helped collect taxes and provide steady supply of cheap, black migrant labour to the industries, mines, municipalities and parastatals.

It should be noted here that "migrant labour" in the southern African context refers to black African workers who, while earning wages elsewhere, maintained a rural homestead where family members farmed, and to which they regularly returned and to which they retired. This cheap labour system was organised on a massive scale, with substantial competition between different recruitment agencies, and countries, especially between the Rhodesias, South Africa, and South West Africa (see, *inter alia*, Van der Walt, 2007). Thus, migrant labour is not the same as *immigrant* labour, as it can be supplied from within the same country, and as, when its work is done, it is supposed to return home to the villages.

Moreover, state interventions closed space for black African farmers, while promoting white farmers, not just through legislation but through subsidies and the parastatals. For example, black farmers did not have access to the Land Bank. Likewise, while the SAR&H built extensive networks into white-owned farming districts, its railway services to the reserves were for passenger traffic, not crops (see e.g., Bundy, 1979: 131–132, 236, 240). Thus, the reserves within South Africa were largely reservoirs of migrant labour: there was little sign of the robust black African peasantry so notable in Northern Rhodesia and Southern Rhodesia. In South Africa's reserve areas, black African rural households survived by a mixture of subsistence farming, and wage remittances, with most of the adult men away in employment elsewhere. The Land

Acts helped entrench this system, but did not initiate it (see, e.g., Lewis, 1984).

Before the 1920s, then, the South African economy was a low-wage economy geared towards exports of raw materials from the farms and the mines, heavily reliant on imports of capital equipment and manufactured goods, mainly from Britain. The mines relied on migrant labour, South African's Chamber of Mines operated a vast monopsonic recruitment system, including its own boats, busses and, later aeroplanes – and extensive use of state railways – to source such labour, the mainstay of the mines. Its Witwatersrand Native Labour Association, set up in 1901, recruited in parts of South Africa, as well as Bechuanaland, Mozambique, Northern Rhodesia, Nyasaland, and South West Africa, while its Native Recruiting Corporation, established in 1912, focused on other parts of South Africa, as well as Basutoland and Swaziland (Van der Walt, 2007).

Some secondary industry certainly emerged in the main ports of Durban and Cape Town, and in the Witwatersrand mining towns. It was driven by the rise of the massive mining industry, and either serviced the mines, the expanding infrastructure, or the growing urban population. Generally, however, the country relied on cheap manufactured goods, as well as the import of capital equipment. Thus, at this time, the South African economy exhibited a feature common to modern colonies: a reliance on exports from the primary industries, and the centrality of foreign capital to those exports.

Moreover, in the early 1920s, the big mining companies were foreign-owned, and often headquartered in London, even if they issued some shares on the local Johannesburg Stock Exchange. There is also little evidence that these giant firms were interested in local industrialisation. Thus, if mining was central to South Africa, FDI was central to mining. By 1911, for example, it was estimated that South Africa had received £351 million in British investment from 1870, which was just below that of Australia (£380 million), Canada (£372 million), India and Ceylon (£365 million), and more than half of that going to South America (£587 million) and the USA (£688 million). It was also ten times the British investment in West Africa (£29 million) (Fieldhouse, 1992: 6).

The most important of the mining houses was that of Wernher, Beit and Co. Also known as the "Corner House," it dominated local gold mining, and, amalgamating with other companies, later became part of the London-based Central Mining and Investment Corporation. Its key investors had been crucial to the formation of Rhodes' De Beers; they also played an important role in his British South Africa Company. Like De Beers, the gold mining houses helped establish a pattern of centralisation and oligopoly in the South African economy, a trend reinforced by the parastatals, the largest of which, like SAR&H, were dominant players – often *de jure* and *de facto* monopolies.

While the phenomenal growth of the mining industry on the Witwatersrand was crucial to the development of commercial agriculture and transport and communications infrastructure, its effects on secondary industry were modest. There was some expansion in local consumer goods production, and of engineering, but the economy remained reliant on imports of consumer and capital goods. There is no indication that the foreign-based mining houses favoured local industrialisation: if anything, they feared that it would raise prices (Bozzoli, 1981). The country developed a sophisticated local financial sector, but before the 1960s, this was largely dominated by outside investors, like the British-based Barclays Bank and Standard Bank, and the Dutch *Nederlandsche Bank voor Zuid-Afrika* ("Netherlands Bank for South Africa," or "Nedbank").

The early South African parastatals emphasised the provision of the essential services without which private industries could not operate effectively (Houghton, 1964: 193). The development of transportation, water supplies and communications systems were regarded as among the "natural and proper spheres for State action," along external defence and law and order (Houghton, 1976: 205). While state interventions were essential to large-scale farming and mining, and to supporting the rapidly growing urban populations, they were not initially seen as means of fostering a local manufacturing sector.

3.2 The Initial ISI Years in South Africa

In many respects, South Africa seemed to fit the then-emerging Marxist theory of "monopoly capitalism" extremely well and featured centrally

in the work of both Lenin, [1916] 1937, and Hobson (1900), on whom Lenin drew heavily. If anything, it fitted this theory far better, in fact, than the great majority of Europe's African colonies (Jones, 1992a: 142–145; Jones, 1992b: 11–12; Rönnbäck and Broberg, 2019: 381–382).

However, South Africa was also a poor fit for the Leninist theory of imperialism in key respects, having, in the first place, a largely independent state that was able – and soon willing – to challenge foreign capital, in the second place, a substantial state capitalism under that that state, and, in the third place, a powerful, rising national capitalist class. Amongst the mines, as indicated earlier, the local Anglo-American Corporation, founded in 1917, was rising rapidly, expanding in South West Africa through the Consolidated Diamond Mines of South West Africa; in the 1920s, it made a breakthrough in South Africa when it took control over De Beers.

While mining was still dominated by foreign capital, commercial farming was dominated by local whites, and local capitalists also had a growing presence in the small local manufacturing sector, as well as in the financial sector. The latter was mainly in insurance, with notable local firms including SANTAM (*Suid-Afrikaanse Nasionale Trust en Assuransie Maatskappy Beperk*, meaning "South African National Trust and Assurance Company Ltd"), a mutual company centred on short-term insurance, and its subsidiary, SANLAM (*Suid-Afrikaanse Nasionale Lewens Assuransie Maatskappy Beperk*, meaning "South African Life Insurance Company Ltd"), for life insurance, which were registered in 1918.

The mid-1920s marked a watershed, with the onset of a systematic ISI programme, which corresponded directly to electoral victory of the "Pact" in 1924, an alliance between the National Party (NP), an Afrikaner nationalist, anti-British party, and the South African Labour Party, backed by white-based unions. The Pact was dominated by the substantially larger NP, which sought to sever the British connection, and which was led by General J.B.M. Hertzog. A hard-line Afrikaner commander in the Anglo-Boer War, he broke with the more conciliatory policies of fellow Generals Louis Botha and Jan Smuts, whose South Africa Party ruled from 1910–1924, accepted the imperial framework, and favoured a common South African nationalism amongst whites.

Hertzog invoked bitterness over the British conquest of the Republics, and a post-war push for Anglicisation by Viscount Alfred Milner, a friend of Rhodes[3] and Governor of the Orange Free State and Transvaal before Union; his slogan was "South Africa First," and emphasised Afrikaner claims. Hertzog, unlike Smuts, flatly rejected *laisses-faire* economics in favour of an interventionist, nationalist state: he even praised the Russian Bolsheviks in 1919 for their struggle against foreign capitalism (Van den Heever, 1943: 212; also see Giliomee, 2002: 622–623).

The early NP combined its anti-imperialism with a narrowly nationalist anti-capitalism – with a focus was on foreign mining capitalists, tinged with anti-Semitism – and racial segregation (Koorts, 2014). As Prime Minister, Hertzog oversaw the adoption of Afrikaans as a second official language, and of a distinct second South African flag and national anthem, "*Die Stem*," alongside the Union Jack and "God Save the King." He influenced the 1926 Imperial Conference that declared Dominions equal in status to one other and to Great Britain. These measures fuelled republican sentiments but were also compromises shaped by the *realpolitik* of divisions within the Pact, and amongst whites: Afrikaners were 60–65 percent of the white population, and themselves quite divided. The South African Labour Party shared the NP's hostility to foreign mine-owners – especially following the bloody defeat of an insurrectionary strike in 1922, the Rand Revolt – but not its Afrikaner nationalism. Hertzog proved more flexible than the NP leaders elected in 1948 in conciliating English-speaking whites; a segregationist, he reached out to Coloured voters,[4] envisaging a degree of inclusion in white South Africa (see Lubbe, 1991).

The Pact used the Union government's substantial capacities, income, and autonomy to undertake sweeping reforms. It overhauled the industrial relations system, providing some union rights and introduced

[3]Rhodes died in 1902, before the war ended; Milner was one of the trustees to his will.

[4]"Coloured," to be clear, refers in this context to people of mixed-race descent, somewhat analogous to *mestizos* in Latin America, but connoting a distinct ethnic as well as racial group, with some overlaps with Afrikaners. A significant number of "Coloured" people had the vote until the early 1950s. The NP vacillated for years on whether to include the Coloureds within its nationalism – possibly, even as part of the Afrikaner people — but eventually settled on harsh racial exclusion.

and minimum wage system and state welfare. This excluded the agricultural sector, including all black and white tenant farmers and workers. Labour rights were, more generally, linked to race. The Pact expanded statutory job reservation by race, while limiting both black and white immigration (Giliomee, 2002; Jeeves and Crush, 2005). These reforms measures were focused on whites, but also included Coloureds on a second tier (Giliomee, 2002).

Insistent that an independent South Africa required national economic development, the Pact also established ISI as state policy. A Board of Trade and Industry, and a Tariff Act, were put in place in 1925 – more than 400 items had tariffs by 1928, many of them British – and steps were taken to expand the role and number of parastatals, as means to build up manufacturing and assist local (white-owned) businesses. Higher taxation on the mines was envisaged as the key to funding state projects (Koorts, 2014). In addition, the growth of the state sector enabled the government to uplift the large numbers of white poor and unemployed, who were given preferential employment in parastatals. Protected private firms were pressured to employ a percentage of whites. The prioritisation of local (white) capitalists, and the white working class, gave South Africa's ISI a racial character. Moreover, governments were enabled to deploy a burgeoning state employment (and subsidies to capital) to reward loyalists and voters.

The shift towards ISI was evident in the repurposing of the ESCOM: this preceded the Pact, being created by the Smuts government via the 1922 Electricity Act, and operational from 1923. The mines in the Transvaal had their own power system, consolidated into the Victoria Falls Power Company in 1906.[5] The better resourced municipalities also operated their own power stations, sometimes supplemented by Victoria Falls Power Company supplies. ESCOM's initial focus was ensuring a stable power supply, especially for the electrification of the state railways of the SAR&H. There had been some steps towards railways electrification in Natal, but systematic electrification started in the 1920s (Hart, 1978: 29–31, 34–34). The Electricity Act established

[5]The name notwithstanding, it did not, in fact, have any station at the Victoria Falls located between the two Rhodesias, but relied on coal stations in South Africa.

the principle that the state would provide a non-profit power supply in the public interest, unlike the Victoria Falls Power Company, which sold power to the state at a mark-up.

Under the Pact, ESCOM's scope expanded to include cheap, subsidised electricity for local industrialisation. It took over existing railways power facilities in Natal, site of major coal fields, and started to establish its own power stations from the late 1920s. It relied on abundant local coal supplies. The supply of coal was usually contracted out to the private sector, and initially partnered with the private when commissioning new power stations. By 1932, ESCOM was starting to produce some of the cheapest power in the world. While it was expected to run efficiently, its losses were routinely covered by the fiscus: profit-loss considerations were secondary to operations, and efficiency was not measured by commercial criteria. ESCOM's tariffs were differentiated, with the lowest unit charges for agriculture, manufacturing, and mining. Residential consumption has always accounted for a fraction of ESCOM/ESKOM output, but paid the highest rates.

Before 1924, the state already undertook some manufacturing, notably through the SAR&H, which – in addition to depots and stations –operated workshops in larger centres like Cape Town, Durban, East London, and Pretoria that dealt with trucks and locomotives. In 1910, there were 1,424 SAR&H locomotives and, in 1962, 3,373 (Huth, 1964: 35). SAR&H workshops played a growing role, not just in the maintenance but the manufacture of trucks and locomotives. Initially, the workshops relied on imported parts, although there were efforts to design a local engine before 1910 (see Bizley, 1989: 19), but the SAR&H started to source a growing number of inputs locally.

The national state entered directly into manufacturing by initiating ISCOR, intended to provide cheap local iron and steel using local ores and coal (Clark, 1993). There was an initial effort to secure private investment in the firm, but when these failed to materialise, the state thus took overall responsibility for ISCOR, which became entirely state-owned.

The establishment of ISCOR, a producer of goods, was a break from the earlier parastatals' focus on infrastructure and on development finance (Houghton, 1964: 195), and signalled the state's willingness to

engage in nationalisation. Backed by extensive state investment, ISCOR was systematically expanded from the 1930s, manufacturing iron and raw steel that could compete with imports in terms of quality, and that sold at lower, subsidised prices. It was also guaranteed a market through being designated the supplier for the SAR&H (Pirie, 1982: 62), enabling local track, truck and locomotive production. Like ESCOM, ISCOR initially engaged in joint projects with local private firms. The rising Anglo-American Corporation, and its subsidiaries, were involved in numerous joint ventures from the 1930s onwards. There were also a growing number of "industrial establishments wholly or partly State-owned" established by ISCOR, a model that would be adopted by other parastatals (Houghton, 1976: 205).

While the expansion of parastatals was embedded in rising Afrikaner nationalism, and shaped by its connections to firms like SANLAM and white commercial farmers, the parastatals were usually run by career bureaucrats or by technocrats in this first period of NP rule. The most famous of these was the scientist Hendrik Johannes van der Bijl, who played a key role in ESCOM, ISCOR and later, the Industrial Development Corporation (IDC), which is discussed below. This helped insulate parastatals from politicians and from changes in government. Ironically, then, the grand industrial statist projects of Afrikaner nationalism relied on the professionalised civil service that the despised Milner had established in the run-up to Union.

The Pact broke down from the late 1920s. The South African Labour Party split in 1928, and lost votes; the NP grew more popular; finally, the Labour Party withdrew in 1931. In 1933–1934, the NP formed a government of national unity with the rival South African Party to meet the Depression. This culminated in a merger of the two parties into the United National South African Party, or "United Party."

ISI continued throughout, as did the growth of parastatals. The national air force was established in 1920, but the first significant private airline dated to 1929, the Union Airways (Suid-Afrikaanse Lugdiens, 1970: 19, 25–30, 43). This was contracted by the state to start the first airmail service for the P&T and began to carry passengers. The P&T relied mainly on ground and sea transportation, with an extensive network of offices and a legal monopoly on letter deliveries and small

parcels. The fledgling airline was soon in trouble and the government stepped in. It was partly bought out by the (then-private) South West African Airways in 1932 (Suid-Afrikaanse Lugdiens, 1970: 43–47), but almost collapsed in 1934, at which point it was nationalised, and placed under the SAR&H as the *Suid-Afrikaanse Lugdiens* or South African Airways (SAA). In 1935, SAA took over the flights of South West African Airways, and from 1937, it ran flights into the two Rhodesias (Suid-Afrikaanse Lugdiens, 1970: 47–48, 55–57).

Another nationalisation took place soon afterwards. There was some private radio broadcasting from 1924. The main private firm, the African Broadcasting Corporation, was struggling by 1929 but limped on, even expanding into Mozambique and Zimbabwe (Rosenthal, 1974: 141, 148–149). It was bought out by the government in 1936, with a loan from SANLAM, and became the South African Broadcasting Corporation (SABC). This enabled a state monopoly on radio and television broadcasts that lasted into the late 1980s: it was funded by subscriber fees, state subventions, and, from 1950, some use of advertisements and sponsorships (Harmse, 2018: 24–27, 43–46, 61–66).

While the Pact and then the Fusion governments stressed ISI, they also intervened to support white farmers. The aid provided by the Land Bank and the SAR&H was supplemented by a system of monopsonic marketing boards set up by the 1937 Marketing Act. This was part of an evolving system of price controls, which covered key consumer goods, including bread, coal, meat, and sugar (Wassenaar, 1977: 44–46, 64). One intention was to reduce wage costs: for example, the bread price was kept artificially low from 1937 to 1991, providing some of the cheapest bread in the world, through a costly subsidy to low-income working-class, including black African, households (Stanwix, 2012: 4).

The South African marketing board system was also a means to subsiding white farmers. In *étatiste*-peasant regimes, and many of their postcolonial successors, state-run monopsonic marketing boards were typically widely used to depress the prices paid farmers; the state would then resell the crops to private exporters at a significant mark-up. In regimes of competitive exploitation, such boards were often used to guarantee white farmers fixed but generous prices, regardless of environmental or market conditions. Many products, including maize

and wheat, were sold to consumers below the prices paid the farmers, avoiding price rises during shortages, and ruinous price-cutting (and output restrictions) in times of abundance. The state made up the difference from the fiscus.

The ongoing support for white farmers allowed the larger ones to operate marketing co-operatives, some of which also moved into food processing. A notable example was the Cape commercial farmers' milling co-operative BOKOMO (*Bolandse Kooperatiewe Molenaars*, meaning "Boland Co-operative Millers"), which developed into the largest South African breakfast cereals firm. Another was SASKO (*Suid-Afrikaanse Sentrale Kooperatiewe Graanmaatskappy Beperk*, meaning "South African Central Co-operative Grain Company Ltd"), a flour and bread manufacturer. Tobacco was also an important industry, and provided a start for local Afrikaner capitalist Anton Rupert. He began manufacturing cigarettes in the 1940s with his Rembrandt company, which later owned brands like Dunhill and Rothmans, and developed into a major local conglomerate) (see below).

Hertzog remained premier of the Fusion government, with Smuts his deputy, until the party split over entry into the Second World War, and Hertzog stepped down. During the early 1940s, the United Party now headed by Smuts, presided over an ongoing industrialisation. The war, for which South Africa mobilised over 330,000 troops, provided an enormous boost to local manufacturing, both via the disruption of international trade, and war production, in which ISCOR played a central role.

The year 1944 saw the establishment of the government IDC. A development finance institution focused on manufacturing and headed by technocrats like H.J. van Eck – Smuts' head off wartime planning – it supported private firms as well as parastatals. By 1970, the IDC had disbursed funds to 1,250 projects (Freund, 2018: 123). It was not intended that the IDC provide endless subsidies: the intention was to help develop a viable local capitalist sector, not provide endless aid and bailouts. Results varied but were often impressive. The IDC's first loan was to Eastern Cape baking firm run by "Ouma Nannie" Greyvensteyn, who had built up a small business from her home (Freund, 2018: 123).

Ouma (Afrikaans for "granny") Rusks became the basis for iconic local snacks giant, Simba.

Co-operation, including joint ventures, between parastatals and the private sector remained commonplace. ISCOR engaged in numerous joint ventures, not least with the Anglo-American Corporation, now the dominant gold mining group (McCulloch and Miller, 2023: 30). While the corporation was still based on mining, it was increasingly active in manufacturing and services, grouping its industrial holdings into the Anglo-American Industrial Corporation (AMIC) in 1963. The larger parastatals expanded their operations in the 1940s, often aiming to secure control of markets (Clark, 1993). In 1948, for example, ESCOM absorbed the Victoria Falls Power Company in 1948. The Anglo-American Corporation helped finance ESCOM's takeover (Innes, 1984). In addition, as noted in the Zimbabwe section, South African parastatals also engaged in operations outside of South Africa and Namibia.

3.3 ISI, Apartheid, and National Security

In 1948, the United Party was ousted by a reconstituted NP, initially in coalition with a tiny Afrikaner Party associated with Hertzog. Better known as the *apartheid* government, it lasted until 1994. In the literature, an understandable focus on the racist policies of the apartheid government, and of resistance, has left a deep imprint on studies of its economic policies, state sector and state capitalism. Work on these issues has been deeply shaped by the international anti-apartheid movement's interest in exposing the involvement of Western investors in the apartheid economy (e.g., Seidman and Seidman, 1978), and by debates between Marxists and liberals over the relationship between apartheid and capitalism, framed as a debate over whether apartheid boosted or blocked capitalist development (e.g., Moll, 1991; Natrass, 1991; Williams, 1989). State actions were then reduced to an expression of the imperatives of a grand ideology, or to the purported interests of capital, with little attention to the state apparatus *itself* (see Posel, 1983), and its character, from 1910, as an authoritarian, modernising state (Freund, 2018: 6–17).

There was no break with ISI in the first decades of the apartheid government. If anything, the policy accelerated. The reconstituted NP, unlike the United Party, was firmly republican and sought to minimise economic dependence on Britain. Moreover, its racist policies, and South Africa's ongoing occupation of Namibia, attracted increasing global censure, including significant sanctions.

While ISI remained in place, it was affected by significant developments within the state apparatus. The early distinction between the elected government, and the civil service, blurred as the NP government placed greater emphasis on the political loyalties of key appointees and made far more use of state employment for patronage purposes (Maylam, 2013; Posel, 2000). Old-school technocrats like van Eck remained in office but operated within a developing party-state in which the NP sought party control over key state resources by appointing loyalists (Maylam, 2013: 71). The earlier trend towards using state jobs and state subsidies for patronage accelerated. There was a rapid expansion of state employment, including in parastatals, partly with an eye on economic independence, and partly with an eye on rewarding voters and loyalists, especially poorer whites (Hyslop, 2005; Posel, 2000; Roos, 2020b). Between 1948 and 1973, the state sector doubled in size, measured as part of GDP (Maylam, 2013: 68). The number of people employed by government departments grew fourfold from 1939 to 1967 (Hyslop, 2005: 782).

Policies of ethnic – and not just racial – preference saw an increasing Afrikanerisation of the main "white" state, including of the upper echelons of the bureaucracy, military and the parastatals. The total number of Afrikaners employed in the civil service doubled between 1946 and 1960 (Maylam, 2013: 71). By the early 1950s, the SAR&H alone employed 100,000 whites, mostly unskilled and semi-skilled (Giliomee, 2002: 637). This was around three times more than the mines and made the parastatal one of the biggest single employers of white workers.

The NP government also prioritised the creation of an Afrikaner – rather than just a white – national bourgeoisie. Its 1948 manifesto argued for extensive state control, including nationalisation and a top-down corporatist system of labour relations, but it settled on fostering an Afrikaner bourgeoisie through state aid (Maylam, 2013: 64–65). NP

opposition to the *geldmag* ("money power") now meant, not just limiting the power of foreign capital, but of pushing back against powerful local English and Jewish capitalists. The latter was exemplified by the Anglo-American Corporation, owned by the Oppenheimer family. The Afrikaner share of private sector operations was just 11 percent in 1950 (Maylam, 2013: 64), mainly in agriculture and through financial institutions like SANLAM, and this was keenly resented by many Afrikaner nationalists.

The state sector did not just provide a means of upward mobility into senior management posts, but enabled connections to the private sector. An increasing number of Afrikaner businessmen were appointed to government economic boards and parastatals' management (O'Meara, 1996: 79). Government and municipal "accounts were switched to Afrikaner finance companies," which then began to diversify into mining and manufacturing, and government contracts were increasingly awarded to Afrikaner firms (O'Meara, 1996: 80, 140–141). These patterns – blurring party and state, the appointment of loyalists, cronyism, ethnic preference, state sponsorship – were subsequently replicated in the homeland governments established from the 1960s (and outlined below) and remain entrenched in post-apartheid South Africa as well.

Volkskas ("nation's (or *volk's*) chest") bank – initiated by Afrikaner nationalists as a co-operative lender in 1934 – and SANLAM were among the beneficiaries, and in turn began to diversify into mining and manufacturing (O'Meara, 1996: 80, 140–141). Emerging Afrikaner mining firm, *Federale Mynbou* ("Federal Mining," Fedmyn), a subsidiary of the *Federale Volksbeleggings* ("Federal National (or *volk*) Investments") founded in 1940, was awarded contracts for the supply of coal to ESCOM. In the 1960s, Fedmyn secured control of Trans-Natal, "the largest coal mining house ... which controlled 25 per cent of total output directly," and also managed "another 16 per cent of coal production" (Verhoef, 1995: 104). In 1963–1965, the Anglo-American Corporation helped Fedmyn take control of the General Mining and Finance Corporation (Genmin), giving it a large stake in gold (see Verhoef, 1995: 101–105; also see Hattingh, 2007). This helped the Anglo-American Corporation gain control over sales of Fedmyn diamonds, protecting

De Beers, as well as, doubtless, "more sympathetic ear" in the government (Verhoef, 1995: 106–107). That same year, the remaining business of British South Africa Company was merged into Anglo-American Corporation subsidiaries, ending its existence as a distinct firm.

The parastatals expanded rapidly. ESCOM bought up many remaining independent power producers. Numerous municipalities closed their own power stations from the 1960s, opting to purchase power from ESCOM instead. ESCOM supplies were, by this stage, often the cheapest due to economies of scale, but the parastatal also actively lobbied against local authorities' right to generate electricity (Covary, 2022: Chapters 4, 5). These municipalities then purchased power from electricity and resold it to residents and businesses, usually at a significant mark-up, becoming ESKOM clients, and power -reliant distributors, rather than operators of IPPs.

By the mid-1970s, ESCOM dominated not just generation, but transmission and distribution. The electrification of the SAR&H railways continued into the 1960s, with the line between Durban and Johannesburg fully electrified in 1963 (Hart, 1978: 33). By the mid-1970s, the SAR&H was the largest and most comprehensive road fleet operator in the country (Beaumont *et al.*, 1978: 7–9, 51, 27, 63), as well as, through SAA, the main local air carrier.

The IDC developed substantial holdings the private sector (Houghton, 1976: 205). It is an overstatement to claim the "IDC was the basic impetus for the growth of South Africa's textiles industry" (Seidman and Seidman, 1978: 65), as the sector had already benefitted handsomely from interventions like tariffs (see Freund, 2018: 37–38). However, the IDC certainly provided substantial support, like a large stake in the Da Gama Textile Company, one of the largest textile manufacturers (Seidman and Seidman, 1978: 65).

The IDC also had a large role in timber and pulp. South Africa, like much of the surrounding region, had few natural forests. A local timber industry emerged in the 1800s, based on plantations of exotic trees, mainly eucalyptus and pine (Pons-Vignon and Anseeuw, 2009: 890–891). Timber was used extensively on construction and mines, as well as in an emergent local paper and pulp industry. The key player was the South African Pulp and Paper Industries Limited (SAPPI),

founded in 1936, in which the IDC had large, and growing, investments (Hocking, 1987: 80, 132, 202). The other major player in the sector was Mondi, part of the Anglo-American Corporation, the sector matching the country's characteristically centralised structure. The South African state, in addition, owned a considerable number of timber plantations, in "white" South Africa, in the reserves, and in southern Mozambique. These were (mostly) vested in the national Department of Agriculture and Forestry.

The IDC was crucial to the founding of two new, major, parastatals in the 1950s. The first was oil-from-coal giant SASOL (*Suid-Afrikaanse Steenkool-, Olie- en Gas Maatskappy*, or "South African Coal, Oil and Gas Corporation"). This provided a substantial amount of local fuel requirements and enabled a substantial expansion of the local chemical industry. The first plant, SASOL 1, was commissioned in 1954, followed by SASOL 2 in the 1970s and SASOL 3 in the 1980s. SASOL production came online in 1961 (Rosenthal, 1970: 183). The second new parastatal was FOSKOR (*Fosfaatontginningskorporasie*, or "Phosphate Development Corporation"), a producer of phosphate and phosphoric acid, and phosphate-based fertilisers for the agricultural sector. This relied on local supplies of phosphoric rock, mined in the Transvaal region, and developed into one of the largest producers of phosphate and phosphoric acid in the world.

The South African state became the Republic of South Africa in 1961, following a referendum amongst whites, ending its Dominion status. It also left the British Commonwealth that year. The formal link to the Empire was now severed. Not only did the NP forge ahead with apartheid – especially the homeland system, as discussed below – but it took steps to counter growing international isolation as criticisms of its policies mounted.

SASOL was increasingly envisaged as the basis of a strategic buffer against possible sanctions. Co-operation between parastatals and the private sector continued. The founding, in 1965, of a government oil prospecting firm, SOEKOR (*Suidelike Olie Eksplorasie Korporasie*, or "Southern Oil Exploration Corporation") followed years of pressure but

got a boost from national security concerns.[6] Based on a partnership between the IDC and SASOL, SOEKOR also developed partnerships with multi-nationals like Mobil (Seidman and Seidman, 1978: 65–66, 109). As with FOSKOR and SASOL, the intention was to separate the parastatals from the IDC: however, it was chaired by the IDC boss, George Kuschke (Rosenthal, 1970: 182). The discovery of offshore natural gas reserves near the Western Cape was followed by a large extraction facility, and gas to liquids refinery: announced in 1987, this was organised as a new parastatal called Mossgas (Mabena, 2005).

The point, to be clear, is that ISI in South Africa remained deeply shaped by state imperatives, and the character of South African society. It was more than simply an exercise in increasing the local share of consumer markets. Another key link was forged between national security and ISI in the development of the local arms industry. The Armaments Production Board was established in 1964, building on earlier procurement systems established during the Second World War. It undertook a modest amount of manufacturing, and managed procurement from the private sector, but in 1968, its production facilities were restructured as the Armaments Corporation of South Africa (ARMSCOR). While this parastatal was involved in procurement, it also began an ambitious and extensive manufacturing programme, partly through the nationalisation of private firms like Atlas Aircraft Corporation. ARMSCOR operations included licensing, modifying, designing, and producing weaponry, ranging from automatic rifles, to tanks and aircraft, with some work contracted out to dozens of private sector firms, including local, foreign, and joint ventures (Landgren, 1989: 54–55).

This intersected with the expansion of ISCOR, which has produced steel from 1934, and had, by the 1960s, moved into finished steel goods; meanwhile, its subsidiaries, like Vanderbijlpark Engineering (VECOR) and Union Steel Corporation (USCO), had moved into finished goods, including capital equipment for factories and mines (Clark, 1993). The SABC also undertook a massive expansion from the 1960s, with new

[6]The name stands out in the government's endless list of dry parastatal acronyms, for its relative wit: "soek" means "search" in Afrikaans.

capital projects and a rapid expansion in programming: it was broadcasting in fifteen languages by the 1970s, introduced television from 1976, operating 24/7 radio services from the 1980s, and had extensive local content production (Harmse, 2018: 77–132) running alongside a large local, subsidised film industry; the SABC also had a significant and growing presence in South West Africa (see elsewhere in this study).

The state continued to invest heavily in the core parastatals in the 1970s. ESCOM was expanded, partly to offset pressures from the oil price shocks of 1973–1974, and a second SASOL plant – "SASOL 2" – was commissioned. ESCOM implemented "an aggressive expansion plan to almost double supply" from the mid-1970s (Public Affairs Research Institute (PARI), 2013: 4). This was enabled by a legal change allowing the parastatal to retain a large proportion of its earnings in a capital development fund, supplemented by "debt and bonds, underwritten by government." With South Africa increasingly involved in counter-insurgency operations, as well as hot wars in South West Africa and neighbouring Angola, not to mention sponsoring anti-Marxist insurgents in Mozambique, ARMSCOR boomed.

The P&T continued to expand, subsidising the local electronics industry through its procurement policies, and embarking on digitisation from the late 1970s (Horwitz, 1992: 208–209, 224). By the start of the 1990s, it operated by far the largest telephone grid in Africa, accounting for nearly 40 percent of all lines and the 22nd biggest telecommunications system in the world by numbers of telephones in use (Noam, 1999: 4 Table 1.1).

The SAR&H developed its own (large) internal telecommunications grid as well as provided an ongoing direct stimulus to local manufacturing through contracts. From 1944 to 1978, for example, local firm Dorbyl Ltd produced over 100,000 goods wagons, and hundreds of locomotives, for the parastatal (see adverts in Hart, 1978).[7] It was, however, never practical to run the vast railway grid through a centralised electricity system. There were still 2 645 steam engines in service in 1962 (Huth, 1964: 35). Dorbyl produced more than 600 diesel electric locomotives

[7]Dorbyl was an amalgamation of two major local engineering groups, Dorman Long (Africa) and Vanderbijl Engineering Corporation, created in 1973. These figures presumably include the prior work of both firms.

by 1978, in collaboration with General Electric from the USA (see adverts in Hart, 1978). It also secured contracts for shipbuilding from ARMSCOR (Landgren, 1989: 54–55). The SAR&H was also the largest road fleet operator in South Africa by the late 1970s, and operated numerous engineering workshops for this fleet (Beaumont *et al.*, 1978: 7–9, 44–47, 51, 63).

SAA also expanded. It had started to fly to Britain in partnership with the British government's British Overseas Airways Corporation from 1945. In the 1950s, it partnered with carriers in the Rhodesias and East Africa, and it was connected to Europe and the Americas by the 1970s (Suid-Afrikaanse Lugdiens, 1970: 70, 80). By 1984, the SAA flew to 44 major destinations on five continents (Mullany, 1986: 15). Subsidised by the state via the SAR&H, it also dominated local flights, with a monopoly over most routes. Several small private airlines still operated, largely on routes neglected by SAA (see Labuschagne, 1986: 15–19). Notable examples were Cape Air and Safair in South Africa, and Namibair[8] in South West Africa.

These private carriers were all, at one time or another, owned or controlled by the South African Marine Corporation (Safmarine). This was a local shipping line, with close connections to the South African state. Van der Bijl facilitated the formation of the company in 1946, Smuts helped it to purchase ships, and the IDC saved it from an American takeover in 1959 by buying shares (Ingpen and le Roux, 1996: 12–18, 40–41). The IDC's influence on the company grew steadily and IDC boss Kuschke facilitated its merger with its main rival, Springbok Lines. Safmarine played a growing role in food and mineral exports to Asia and Europe, as well as benefitted from P&T contracts for ocean mail (Ingpen and le Roux, 1996: 46–52, 58, 68–72, 85, 132–133). It also played a growing role in shipping oil to South Africa. The apartheid government, afraid of embargoes, instructed the IDC to acquire a tanker fleet. This was held in a hastily formed IDC subsidiary called Buren Beleggings but operated and managed by Safmarine. The IDC was still

[8]The firm became part of the (private) South West African Airways in 1966 and used that name. From 1969, Safrmarin steadily secured a controlling stake in South West African Airways, the state also having some shares, and in 1978 it was relaunched under the Namibair name.

the "dominating influence" in Safmarine in the 1980s, although the firm was by this time also deeply intertwined with a range of other local investors (Ingpen and le Roux, 1996: 111).

There was a growing use of more sophisticated policy instruments by the state at this time. Prescribed asset policies were introduced in 1956, and ran until 1989. These obliged financial and other companies to invest in state-designated sectors – mainly infrastructure. A key instrument of this policy was the Pensions Act.

Long-term local content programmes were also adopted and backed by state subsidies including procurement policies. From the 1950s, for instance, the P&T set out to establish extensive local production of telecommunications equipment, with contracts with overseas firms stipulating local manufacture and progressive increases in local content (Kaplan, 1989). These firms often established local plants, in partnership with local corporations (Kaplan, 1989). The P&T was obliged to purchase its equipment from locally based firms if prices and the percentage of local content were deemed satisfactory (Horwitz, 1992: 210). As an indusial policy, it "succeeded rather well," and by the mid-1990s, the manufacture of telecommunications equipment constituted was the "largest part of the South African electronics sector" (Horwitz, 1992: 208). Not only was local content high, but "domestic firms . . . developed considerable design capabilities" (Kaplan, 1989: 566).

Local content programmes were also crucial to the growing auto sector. The auto industry started in the 1920s, and centred on plants set up by multi-nationals like Ford, GM, and Toyota. These investments were partly a means to access South Africa's markets by producing within the tariff walls, as well as plans to use South Africa as a base to export into neighbouring countries. Thus, production focused on the local assembly of imported designs and capital equipment. Initially, many plants also relied on imported components.

The South African state sought to mitigate the problem by inducing foreign investors to have local partners. The key means was an ambitious local content programme for the auto industry, introduced in 1961 (Bell, 1989; Black and Mitchell, 2002; Damoense and Simon, 2004; Sibuyi, 2021: Chapter 2; Southall, 1985). This pushed auto manufacturers to import fewer inputs, by forcing them to contract local producers

for a growing number of materials and components. The proportion of required local content was steadily expanded over several decades, while the local content required was also modified over time, to include increasingly sophisticated locally manufactured products. Local content requirements were raised from 15 percent in 1961 to 66 percent in 1980, measured by weight. From 1989, the measure of local content was changed from weight to component value. Auto producers were, in return, assisted by tariffs, cheap power and labour, and subsidies. Like the large engineering industry that had grown up from and the 1940s, the auto industry relied on ISCOR steel (Community Resource and Information Centre (CRIC), 1989a: 72). The programme ran until 1995.

Local ownership of the auto plants expanded rather more slowly. The Anglo-American Corporation only moved from a role in motor retail into an important role in auto production in the 1970s. In 1976, it merged one of its subsidiaries with Chrysler South Africa to form the Sigma Motor Corporation, in which it held a 75percent stake. Through Sigma, it then acquired Pacsa, which manufactured Citroen and Peugeot vehicles locally (Innes, 1984: 209–210), and in the 1980s, through another subsidy, it secured a stake in the local Toyota operations.

By the late 1980s, South Africa had a remarkably centralised economy. By 1961, the state and parastatals were believed to account for around 42 percent of gross capital formation in the country (Houghton, 1964: 197). In 1975, state consumption expenditure was 14 percent of the total, and the state was responsible for perhaps 48 percent of total domestic gross fixed investment (Wassenaar, 1977: 74). Parastatals were estimated to have been responsible for 13.9 percent of GDP from 1978 to 1985 (Musacchio and Lazzarini, 2014: 34). ISCOR, the 16th largest steel producer outside the Soviet bloc and responsible for around three quarters of South Africa's steel (Community Resource and Information Centre (CRIC), 1989a: 73), provided cheap inputs into local industry, with losses covered by state grants. The big parastatals were in a strong position because of their monopoly or near-monopoly positions in markets, and in some cases very efficient: SASOL was highly profitable by the 1980s, while ISCOR exported around 30 percent of its output, including to East Asia Community Resource and Information Centre

(CRIC) (1989a: 60–61, 73). They did, however, benefit from state support or their ongoing operations, as well as their expansion. The state was also crucial in raising funds through, for example, World Bank loans, the bank providing loans for, *inter alia*, ESCOM expansions.

Vast swathes of the South African economy developed along oligopolistic lines by the 1950s, following the pattern of centralisation previously set by mining and parastatals. The dominant firms in various parts of the economy were, in turn, increasingly owned by larger corporations. By the 1980s, giant conglomerates dominated the private sector. South Africa's equivalent of Japanese *zaibatsu* or South Korean *chaebol* – and a development unique in Africa – these titans amplified their power through complicated chains of shareholdings in series of subsidiaries, with control reinforced by interlocking directorates (Savage, 1987). As indicated earlier, the largest of all, the Anglo-American Corporation, controlled 52.5 percent of JSE shares in 1983. Adding in the next three biggest conglomerates – the Afrikaner firms SANLAM and Rembrandt controlling 9.4 percent and 2.1 percent, respectively; and Barlow Rand, with 7.4 percent – it is evident that 71.3 percent of the JSE was controlled by just four companies (Congress of SA Trade Unions (COSATU), 1987: 18–19).

The conglomerates spanned financial, manufacturing and mining operations and enabled vertical as well as horizontal integration. For example, the Anglo-American Corporation had expanded from its initial base in mining to build a manufacturing empire, and, in the 1980s, acquired the local division of Barclays Bank, relaunching it as First National Bank, part of a larger FirstRand bank. SANLAM, on the other hand, expanded from an initial base in the financial sector into manufacturing, and then into mining by acquiring control of Gencor, which had been created in 1980 through the merger of FedMyn and two other mining houses.

As seen earlier, the division between the parastatals and the private corporations was blurred: the state held stakes in private firms, parastatals contracted work out to private firms, and engaged in joint ventures with such firms, and parastatals provided key inputs to the private sector. Unlike the new state capitalism of the 21st century, however, parastatals were not required to make profits in the period

of ISI, nor to measure their efficiency in terms of commercial criteria. ESCOM provided cheap power on a non-profit basis, and legislation and policy made it clear that it was to act in the "public interest," including by fostering industrialisation. The SAR&H aimed at being self-financing and took great care to show that it was not a burden on the fiscus, yet it provided key services at sub-economic tariffs (Beaumont *et al.*, 1978: 5, 7, 9). The P&T was legally barred from making a profit, or experiencing losses (Horwitz, 1992: 207).

3.4 Parastatals and State Development Finance in Apartheid's Homelands

Impressive as the figures cited above for the importance of parastatals to the GDP and to capital formation may seem, they are probably underestimates. There was no comprehensive national register of state assets or of parastatals, nor a well-developed system of reporting their activities. While it is fairly easy to map the bigger parastatals, like ARMSCOR, ESCOM, P&T and SAR&H, there were numerous other, smaller state holdings. For example, many state assets were vested in municipal and provincial governments, ranging from bus companies, to local game reserves, and holiday resorts. These are not always included in analyses of the parastatals.

Moreover, the apartheid government deemed many homelands to be either self-governing or fully independent. This was not simply a rhetorical device, as the citizens of a "independent" homeland would not be counted within the South African census, nor would the assets, employees or spending of such a homeland be included amongst those of the South African state. Many homelands operated parastatals (see below), but the parastatals of "independent" homelands would not be included in South African reports of the time. Thus, studies relying primarily on South African government data to analyse the parastatals of the ISI period can overlook such parastatals. Moreover, there has been relatively little research on homeland parastatals in South Africa. Yet such parastatals were a crucial part of apartheid.

Apartheid was more than simply a system of segregation of employment and neighbourhoods. This segregation operated alongside a

far more ambitious government policy, crystallising in the 1950s, of transforming the reserves into independent black African states ("bantustans," said critics). Dubbed "grand apartheid" – as distinct from the petty apartheid of segregation – it envisaged the balkanisation of the country into a constellation of states.

It is important to understand that, in terms of the NP's evolving apartheid ideology, each black African ethnic group was a separate nation, or – if not – a nation-in-the-making. The larger South African territory was not home to a single (albeit racially segmented) nation, but rather, to a score of competing national groups. The country was divided by race, but there was no single white nation nor single black African nation. Just as the Afrikaners required self-determination, so too did black African groups e.g., the Pedi, Xhosa and Zulu. Since self-determination required statehood, each black African "nation" would get its own state, based on the group's historic reserve area (Moodie, 2017). Given the racial segregation of territory affirmed in the Land Act, this meant that the black African homelands would have to be carved out of 13 percent of the country. The same model was planned for South West Africa, although the territory available for black African homelands was substantially larger, as a smaller area was reserved for whites.

By the end of the 1970s, there were around 20 homelands in the joint South Africa-South West Africa territory. Legislation in 1971 allowed the central government to grant homelands independent statehood. The old black African aristocracy of royalty, chiefs and headmen would remain central to these micro-states, supplemented by elected legislatures and local bureaucracies. From 1971, too, homelands were not required to apply laws passed in the white South African parliament. The idea was that each would develop its own body of laws, based on a combination of each group's customary law, such legislation as it chose to adopt from South Africa, and legislation passed by its own assemblies.

Crucially, the grand apartheid project explicitly envisaged homelands as requiring viable economies with significant industrial sectors. Vast sums were poured into homeland development, and all homeland governments always relied heavily on funding from Pretoria. Each homeland was to have its own armed forces, anthems and flags, citizenry,

elections, education system including a university, national broadcaster, and postal system – plus passports, border posts, and embassies, and its own parastatals including development finance institutions. Development strategies were devised, focussed on infrastructure, industry, and commercial and agriculture projects (Ligtthelm and Coetzee, 1984: 11). These were drawn up by homeland governments and/or Pretoria (e.g., Lötter, 1984).

By 1981, there were four supposedly independent homelands – the Transkei in 1976, Bophuthatswana in 1977, Venda in 1979, and Ciskei in 1981 – also known as the "TBVC" states after their initials. The other six homelands – Gazankulu, KaNgwane, KwaZulu, KwaNdebele, Lebowa and QwaQwa – were deemed to have achieved varying degree of self-government. The homeland project had roots in older systems like colonial indirect rule through black aristocracies – practiced earlier in South Africa, as well as more widely in British-ruled Africa (like Zimbabwe) and Portuguese-ruled Africa (like Angola and Mozambique), it was clearly something profoundly different. In an influential study, Mamdani (1996) decried what he deemed "South African exceptionalism," arguing that apartheid was essentially a variation on the British system of indirect rule. We suggest, on the contrary, that South Africa did indeed have exceptional feature. Not only had the country had undergone an industrial revolution by 1948, but the homelands system was something qualitatively different to British indirect rule (or earlier South African systems of segregation).

The distinctive character of the homelands was exemplified by the parastatals that were so crucial to the establishment of homelands: such state capitalism was absent in colonial indirect rule. In 1959, the Bantu Investment Corporation Limited – later the Corporation for Economic Development – was formed as a central, state-owned development finance institution for the homelands. Once the homelands project gathered steam, the number of parastatals including development finance institutions proliferated. The Bantu Investment Corporation was decentralised into different development banks from the 1960s, such as the Xhosa Development Corporation in 1965. The Xhosa Development Corporation was then subdivided into the Ciskei National Development Bank in 1976 and the Transkei Development Corporation in 1978;

the KwaZulu Development Corporation was set up in 1978. These development finance agencies were complemented in 1983 by a new Development Bank of Southern Africa (DBSA) to finance homeland infrastructure. The term "Southern Africa" refers, here, not to the conventional geographical region but to the white Suth African state and its homelands.

State development finance institutions helped create brand new parastatals for the homelands, and others were established by hiving off parts of the big South African parastatals. For example, the Transkei Development Corporation provided the basic infrastructure for investment growth points (Southall, 1992: 57). It owned the Transkei Road and Transport Corporation (the main road operator), Transkei Airways, as well as several small industries. It was also involved in numerous joint ventures, like the Umtata Timber Development Company, which was co-owned with SAPPI and the Hans Merensky Trust, as well as financing numerous small Transkei capitalists (Southall, 1983: 189–193, 230–240). The Transkei Electricity Supply Corporation (TESCOR) was established in 1979, taking over ESKOM and Transkei government generation and transmission facilities, with its four power stations supplemented by purchases from ESKOM (Campbell and Taylor, 1992: 596–597).

Investment within homelands was encouraged by subsidies and cheap labour – unions were suppressed. While white South African investors were barred from direct ownership within homelands, they could enter as foreign investors. Additional support was provided though the "border industries," a regional industrial development policy that provided subsidies to private investment in areas immediately adjacent to homelands. The border industries scheme, initiated in 1960, saw vast numbers of black African workers daily crossing from their homeland into "South Africa" through border posts. In this way, the apartheid state combined an industrial decentralisation project with a programme of limiting the growth of a permanent black African population in the main South African territory.

These measures undoubtedly fostered some industrial development. While the border industries scheme was, "primarily an instrument of grand apartheid," it did expand manufacturing adjacent to homelands,

which were after all "the most economically deprived regions of South Africa" (Bell, 1997: 2). The homelands project created unprecedented numbers of waged jobs within the homelands themselves. While most homeland residents always remained reliant on migrant labour, local employment grew considerably, In the Transkei, for instance, total employment in formal sector manufacturing reached 12,000 in 1983 and 19,600 in 1985 (Southall, 1992: 67), resting on subsidised local firms and foreign investors. However, the main employer within the homelands was the state sector, accounting for 16 percent of their economically active populations (Chipkin and Meny-Gibert, 2012: 102–103).

Lest it be thought that the homelands were a mere footnote in the South African political economy, it is worth noting that – at the end of apartheid – there were 638,599 people were employed in homeland civil services, compared to just 349,832 in that of "white" South Africa (Chipkin and Meny-Gibert, 2012: 102–103). It is also important to bear in mind here that homelands were always dependent on funding from Pretoria, operating as black African-run junior partners in apartheid – and that homeland leaders, in turn, sought to build support bases through patronage systems.

Government employment was widely used for such purposes, and homeland governments like became bywords for corruption, inefficiency, repression, and instability – including military coups (Chipkin and Meny-Gibert, 2012; Hyslop, 2005; Mzala, 1988). Homelands like the Transkei built an unenviable record of corrupt deals with "foreign" investors, usually white South Africans (Hyslop, 2005; Streek and Wicksteed, 1981). Homeland bureaucracies were increasingly characterised by an organisational culture of bribery, cronyism, maladministration, and low productivity (Chipkin and Meny-Gibert, 2012). Thus, the patron-client relationships that governed land in the reserves – and that were also of growing importance in the party-state system built up by the NP in the main "white" state – were reproduced in the semi-autonomous homeland components of the South African state.

3.5 From ISI to Neo-Liberalism in Late Apartheid

South Africa was an early adopter of neo-liberal policies, which formed a central part of the reform programme of the NP from 1979. The NP's economic reforms were substantial, but have been overshadowed by the political reforms that it undertook in roughly the same period.

The political reforms were a mixture of efforts attempts at deescalating conflicts within the larger region, and of political reforms within South Africa. The former included steps towards an internal settlement in Namibia (see earlier), and pressure on the Ian Smith government in Zimbabwe to compromise with nationalist guerrilla forces (see later). The latter included steps to include black African workers in the statutory industrial relations system, the establishment of elected local authorities within black townships in "white" South Africa, the expansion of parliament to include Coloureds and Indians in racially segregated houses, and the abolition of petty apartheid from 1986 onwards.

A fuller account of why South Africa and the NP shifted towards neo-liberalism falls outside the scope of our study. What must be emphasised, however, is that the country has never suffered the sort of economic implosion that would require the adoption of IMF or World Bank directives, nor has it ever adopted any SAP. The last World Bank loan under apartheid was in 1966, with loans up to that point for parastatals and infrastructure, not to support the fiscus. The IMF provided several short-term loans in the 1970s, but all IMF and World Bank funding were cut off in 1983, as part of the sanctions campaign. Clearly, the shift was not driven by the Bretton Woods institutions, even if they provided, in the 1980s and 1990s, technical and policy advice.

It is not always easy to disentangle political from more narrowly economic considerations in the NP's shift away from ISI. For example, efforts to reduce the state role in services were shaped both by concerns about spending and by more short-term political considerations. The centrality of the state in housing, services and transport made it easy to turn popular frustrations into anti-apartheid campaigns: it was hoped that a greater private sector role would help to depoliticise such matters (Sefika, 2012: 70). Economic decline also fed into a growing sense in

ruling circles that ISI project was exhausted, unduly expensive, and excessively burdensome. The average GDP growth rate fell from 4.9 percent per annum between 1945 and 1974, to just 1.65 percent between 1976 and 1994 (Giliomee, 2010: 597).

Increasingly, the state sought to foster export-led growth, tax reforms, cuts in spending including on parastatals and subsidies, and deregulation. There was a growing interest in the promotion of small businesses – partly as a solution to unemployment – expressed in the establishment of a parastatal and the Small Business Development Corporation (SBDC) in 1981.

These reforms proceeded unevenly and somewhat erratically. It is relatively easy to trace these reforms in the big parastatals run by the "white" state, but the picture is far less clear when looking beyond this level, either at other levels of that state – for example, at provincial and local government level – or in its semi-autonomous parts – the homelands. Duplication and policy inconsistencies created a complex patchwork of state-private sector relations. For example, one municipality might have its own bus company; another might grant concession operations to a state-subsidised private firm like the Public Utility Transport Corporation (PUTCO, formed in 1945); a third might rely on buses run by SAR&H, through its road transport system; and each responded in somewhat different ways to the onset of neo-liberalism. Some neo-liberal reforms were underway at municipal level in the 1980s (e.g., Beretti, 1986; Community Resource and Information Centre (CRIC), 1989a: 70–72), but far more research on the impact of neo-liberalism at provincial, municipal and homeland level, and the varied ways in which the new model was interpreted and implemented, is needed to fully understand the processes underway at the time.

A key step was the privatisation of SASOL, with shares issued on the JSE in 1979 (Community Resource and Information Centre (CRIC), 1989a: 60–61; also see Sparks, 2016). This helped fund a "exponential" expansion of SASOL assets and employment – including the SASOL 3 plan (Verhoef, 2017: 106). Private investors acquired all of SASOL 1, and large stakes in SASOL 2 and SASOL 3: these investors included the Anglo-American Corporation, SANALM and Rembrandt. The state

remained a minority shareholder, mainly through the IDC and pension monies from the PDC.

In 1984, the PDC were restructured into the Public Investment Corporation, an asset manager and sovereign wealth fund. It was based on government pension funds – excluding those of the homelands, municipalities, and parastatals – and the funds available increased dramatically in the late 1980s when the NP government moved from a Pay as You Go (PAYG) system to a fully-funded pensions. Unlike SASOL, ISCOR was completely sold off: the process was initiated in 1984, with the issues of shares in 1989. It ended part of giant steel multi-national ArcelorMittal S.A.

These sales – probably the largest ever privatisations by divesture in South Africa – were relatively easy, as the parastatals concerned were market leaders and structured as distinct corporate entities. Things were more complicated with giant entities like SAR&H and the P&T. In such cases, steps had to be taken towards corporatising – and where possible, commercialising – their operations. This usually entailed creating ring-fenced entities to hold the assets, with the assets then subdivided these into self-contained divisions – laying the basis for phasing out cross-subsidisation between the divisions, and their reconstitution as distinct subsidiaries – and the introduction of a management model more akin to the private sector than traditional state bureaucracy. In 1981, for example, SAR&H assets and employees were moved into a state company that was distinct from the transportation ministry, called the South African Transport Services (SATS).

Changes accelerated after 1985. In 1987, the South African government issued a key White Paper on privatisation and deregulation. It stated that government spending had become unsustainable and destructive: it had "more than doubled in nominal terms every five years after 1975," so that in 1985 it reached 38.1 percent of GDP (Republic of South Africa, 1987: 3–4). It also cited examples of privatisation already underway – these were usually rather modest, but the state's intention to do more was signalled by the creation in that same year of a Ministry of Public Enterprises. At the opening of parliament in 1988, President

P.W. Botha outlined plans for toll roads, the commercialisation of ESCOM, P&T and SATS, and the privatisation of FOSKOR, ISCOR and Mossgas (Botha, 1988: 507).

ESCOM was rebranded as ESKOM in 1987, signalling the start of a complicated and multi-decade process of commercialisation, and attempts at privatisation. In 1988, SATS was divided into separate operations: airways, catering, harbours, maintenance, pipelines, railway, and road transportation (Community Resource and Information Centre (CRIC), 1989b: 62). Steps were also taken to deregulate sectors which the state dominated by statute, or through licensing. A pay television channel called M-Net was established in 1986, using a scrambling system supplemented by an open broadcast slot that used SABC broadcast facilities. Transport policy had been modestly revised from 1977, and 1981 saw the start of a contentious deregulation process that opened the door to an enormous expansion of private road freight and passenger services – by 1989, black African taxis dominated the black African commuter market (McCaul, 1990) – and, in 1990, the end of SAA's monopoly on domestic flights. The big parastatals started to be placed under the Ministry of Public Enterprises, which also acted as shareholder, if they were not owned by entities like the IDC or PIC. There was also some restructuring of IDC assets, such as in 1989, when a massive IDC aluminium-smelting facility called Alusaf was partly sold to SANLAM's Gencor.

3.6 The Transition Period and the ANC Government

The apartheid government had meanwhile started to quietly reach out to the then-illegal African National Congress (ANC), with an eye on possible negotiations. The nationalist ANC, essentially an urban-based mass movement – unlike its counterparts in Namibia and Zimbabwe, which were built around rural guerrilla armies – was then emerging as the dominant force in the anti-apartheid movement.

In early 1990, the NP unbanned the ANC, its ally the South African Communist Party (SACP), and most other opposition groupings, and initiated the Convention for a Democratic South Africa (CODESA) to manage a democratic transition. The rather fractured character of

the South African state bedevilled negotiations, as several homeland governments, and a significant section of the security forces of the main "white" state actively opposed any such transition. Despite these obstacles, a transitional ANC-NP executive government was established in late 1993. The homelands reintegrated, and the old provinces were abolished, with nine new provinces established in their place.[9] The first non-racial democratic elections took place in 1994, followed by a Government of National Unity (GNU) headed by the ANC, but including the NP and the Inkatha Freedom Party, a powerful homeland-based movement.

The CODESA process and its outcomes have dominated accounts of the transition, detracting attention from concurrent processes of economic reform. These took two main forms: first, parallel negotiation forums dealing electricity, housing, local government, and other issues, which – unlike CODESA – drew in unions and other popular movements, laying the basis for a permanent corporatist body, the National Economic Development and Labour Council (NEDLAC) in 1995; second, an ongoing restructuring of the state sector, especially of parastatals, by the NP government and bitterly opposed at the time by the ANC and its allies, this was a unliteral process that continued the neo-liberal reforms begun in 1979.

SATS was registered as a company (with the state as sole shareholder) in 1989 and reorganised as Transnet in 1990. In 1991, the P&T was restructured, with the telecommunications system was moved from the ministry into a new parastatal, the South African Telecommunications Company (TELKOM) in 1991, while postal services were hived off into another parastatal, the South African Post Office (SAPO). ARMSCOR was broken up in 1992 into two distinct parastatals: a procurement agency under the ARMSCOR name, and a weapons and aeronautics manufacturer called DENEL. In 1991, the government also adopted a new Regional Industrial Development Programme that argued that regional policy should focus on areas with the highest potential

[9]The nine provinces today are the Eastern Cape, Free State, Gauteng, KwaZulu-Natal, Limpopo, Mpumalanga, Northern Cape, North West, and Western Cape.

for self-sustaining growth – and therefore, abolish the border industries scheme (Bell, 1997: 1, 3–4).

The pattern of subdividing each parastatal into distinct entities – each intended to eventually become self-sufficient through commercialisation, and then possibly privatised – was again in evidence. Transnet was, essentially, structured around subsidiaries: Autonet for road operations, mainly busing; Petronet for Mossgas and petrol pipelines; Portnet for harbours; SAA, the national airline; and Spoornet for rail. Commuter rail-related assets like stations and rolling stock were moved into a new parastatal in 1990, the South African Rail Commuter Corporation (SARCC), although Spoornet continued to operate the passenger service itself. The SAPO operated the old post office savings as Postbank as a subsidiary, while DENEL had distinct divisions like Kentron, for unmanned and guided weapons, and Denel Aviation.

This arrangement allowed different components to be restructured separately, and in different ways on different timetables. For example, Autonet was soon corporatised as a Transnet bus company called Autopax, the government airports were moved into a new parastatal Airports Company of South Africa, and SAA was established as a standalone state company. Meanwhile, the holdings of South African parastatals in Namibia were carved off and handed over to the new independent government – a process discussed in more depth in the Namibia section.

Still, the ANC inherited a vast state sector, including at least 300 parastatals. Just four – Denel, ESKOM, TELKOM, and Transnet – accounted for 77 percent of employment, 86 percent of turnover, 91 percent of assets, and 94 percent of total income (Shangase, 2007: 14). The neo-liberal restructuring of state assets continued under the ANC-led government, much to the surprise of many observers. The transitional

government only undertook one significant privatisation: this was of land in the KwaZulu homeland and done for political reasons.[10]

The ANC's shift towards neo-liberalism cannot, to be clear, be blamed on the Bretton Woods institutions. While the country was again given access to IMF and World Bank facilities, little use was made of these until the 2020s. When South Africa entered the new WTO where it agreed to extensive tariff reductions. South Africa's proposals on tariff reductions to the GATT, and its successor the WTO, in the 1990s exceeded those proposed – or required – by either body (see e.g., Habib and Padayachee, 2000: 251–252).

The ANC, in office, has avoided massive divestures of the ISCOR and SASOL type. It has favoured, instead, corporatisation and commercialisation, and forms of privatisation that do not entail permanent transfers of assets like concessions, leases, and management and service contracts. Where divestment has taken place, it has typically involved only partial sales, with the state retaining significant holdings and influence.

The ANC justifies corporatisation and commercialisation partly on the grounds of reducing the cost to the state of operating the parastatals. Corporatisation, commercialisation, and privatisation are also viewed as means of increasing efficiency, with ring-fencing a method that helps identify loss-making operations by exposing cross-subsidisation. Under the ANC, ESKOM, was transformed into a public company from 1998 to 2001, expected to make profits, raise its own funds, and pay taxes and dividends to the state as shareholder. TELKOM and the SAPO were commercialised, as was SAA.

Carried out successfully, it was argued, commercialisation would shift parastatals from heavy users of state finances to net contributors, through the payment of taxes and the generation of profits. This aspiration was by no means unfounded. Measured by profit criteria, for

[10]The homeland, a one-party state headed by the Inkatha Freedom Party, boycotted CODESA and threatened armed secession by Zulus. Inkatha only agreed to participate in the 1994 elections at the 11th hour, following a compromise in which the homeland's "communal" land was transferred from the South African Development Trust into the newly created *Ingonyama* Trust, controlled by the Zulu monarch. In addition, Inkatha was included in the GNU.

instance, the ESKOM was initially an incredible success, its profitability rising in the 1990s despite a massive expansion of the residential grid; around 2005, it was estimated to have one of the highest after-tax-profits-to-revenue ratios of any electricity utility (Greenberg, 2006: 39).

None of this thinking on state asset restructuring differed substantially from that of the NP in its last years in office. What was new was the ANC's establishing a link between state asset restructuring the post-apartheid ANC programme of Black Economic Empowerment (BEE). "Black" in post-apartheid law and policy refers to *all* people who suffered racial oppression under apartheid, although this co-exists in actual BEE practice can often lean in a more Africanist direction.[11] The ANC's preference for retaining a large state sector – albeit one envisaged along the lines of what is now called "new state capitalism" – is in large part because it prefers to retain control over strategic resources in order to bolster its power as a government and economic influence, including for is BEE racial redress programme.

Given the existence of a highly centralised and white-dominated private sector, with high barriers to entry into its commanding heights, the state sector and parastatals are viewed by the ANC as crucial to BEE. In a clear echo of the NP model of Afrikanerisation (Maylam, 2013), state contracts, employment and parastatals are viewed as crucial to BEE (Shangase, 2007). However, whereas the NP embedded such projects in ISI, the ANC has embedded them in neo-liberalism. Thus, the Department of Public Enterprises views parastatals' restructuring as a key vehicle for through, *inter alia*, promoting managerial control by previously marginalised groups, linking procurement to BEE, and directing privatisation to BEE-accredited firms and individuals. BEE thus "require[s] a neo-liberal context to be realized," yet is also a "a

[11] "Black" thus includes black Africans, Chinese, Coloureds, and Indians, while BEE excludes members of such groups who emigrated to South Africa after the transition in 1994. BEE is embedded in a larger set of policies intended to address discrimination against women and the disabled, including through measures like employment equity. That said, ANC discourse usually frames redress in terms of beneficiaries being "blacks in general, and Africans in particular," lending itself to a narrower Africanism.

racially tinged policy instrument," an "indicator that the South African adoption of neo-liberalism has not been purist" (Shangase, 2007: 15).

The linking of neo-liberalism and BEE was also evident in the post-apartheid restructuring of homeland parastatals. Bophuthatswana's Bop Air was transferred to the new North West Province, for example, and renamed Sun Air. In line with the ANC position that privatisation be used for BEE, it was sold to a BEE-empowered consortium in 1997.[12] Homeland radio stations, and Bophuthatswana's television broadcaster Bop-TV were merged into the SABC, and commercialised, usually under black managements.

State development finance institutions were likewise given BEE mandates, although not restricted to BEE-linked lending. This has been the case with, for example, the Eastern Cape Development Corporation run by the Eastern Cape provincial government – a merger of the old Ciskei National Development Bank and Transkei Development Corporation – and the Ithala Development Finance Corporation run by the KwaZulu-Natal provincial government – successor to the KwaZulu Development Corporation. The same model has been applied in the IDC, and to a lesser extent, the PIC. While the IDC remains focused on national economic development, including industrialisation, it has a BEE policy now, "to advance economic transformation and enhance the economic participation of black people in the South African economy," including "[b]oosting black ownership, management and employment equity," "[e]ncouraging our stakeholders to comply," and "[m]otivating the private sector to co-finance BEE" (Industrial Development Corporation (IDC), 2024).

While BEE is nominally inclusive of all "blacks," its focus has been promoting a small elite closely connected to the ruling party and the state. For example, a key component of BEE has been to ensure that black Africans predominated at senior management levels

[12]BEE does not necessarily require black-only operations: there are grades of BEE empowerment based on the extent of black management and ownership, established through a certification and scorecard model that is used by the state in awarding contracts or shares. This is intended to force established white-owned businesses to take on black African partners and increase black African shareholding and management representation and ensure that contracts go to viable firms.

in the big parastatals, previously a white and especially, Afrikaner, stronghold. In 1995, ESKOM adopted a procurement policy focussing on black suppliers; in 2001, ESKOM it had a comprehensive BEE policy framework; by 2006, around 67 percent of its discretionary budget was linked to BEE and most of the senior management was black (Shangase, 2007: 7, 133, 135, 137).

In line with other big parastatals, management salaries and bonuses began to be pegged against those obtaining in the private sector with the black senior management the main beneficiary. By 2006, ESKOM's executive directors were the highest paid in the country after those of Standard Bank: the parastatal's executive remuneration beat that paid by private giants the Anglo-American Corporation (which was in third place), FirstRand, Old Mutual, SAPPI, and SASOL (Davie, 2006). ESKOM's senior management counterparts at TELKOM and Transnet also did very well. TELKOM's executives were beaten only those of Standard Bank, ESKOM and the Anglo-American Corporation, and Transnet's earned more than those o ArcelorMittal, Old Mutual, and SASOL (Davie, 2006).

Ambitious plans were put in place to unbundle Transnet and ESKOM (Greenberg, 2006; McGregor, 2018; Public Affairs Research Institute (PARI), 2013; Shangase, 2007). ESKOM For example, Transnet moved its urban passenger rail operations out of Spoornet into a separate subsidiary called Metrorail in 1996, and its intercity train travel into another, called Shosholoza Meyl, in 2001. Autopax, Metrorail and Shosholoza Meyl were then transferred to the parastatal South African Rail Commuter Corporation (SARCC) from 2006, which was soon relaunched as the Passenger Rail Agency of South Africa (PRASA). Spoornet then became Transnet Freight Rail, with a focus on commercial freight organised around six business units, plus a luxury long-distance passenger train service called Translux. ESKOM was to be broken up into separate parastatals for distribution, generation, and transmission. Several power stations were to be closed down or sold off. Space was to be opened for the entry of independent power producers (IPPs) and partners, as well as competition in distribution through a set of regional electricity distributors.

A different approach was taken to TELKOM, as it was substantially privatised: 30 percent was sold off in 1999, followed by three percent in 2001, and further offerings in 2003, with an emphasis on BEE. This still left the state as the largest single shareholder, with almost 38 percent of equity. TELKOM was, meanwhile, granted a monopoly in landlines until 2003, when a rival firm, Neotel, entered the market in 2006. Neotel made little headway, and TELKOM continues to dominate fixed-line services in South Africa and international connections, but its business now centres on leasing facilities and mobile phones, and it is probably the most profitable state company (Mortlock, 2020: also see Makhaya and Roberts, 2003).

The ANC also phased out the subsidy system for commercial farmers, reduced trade barriers, and loosened up controls over the movement of investments into – as well as out of – the country. The effects were predictable: a substantial deindustrialisation, especially in light manufacturing battered by cheap Asian imports; rapid centralisation and concentration in commercial agriculture, as subsidies fell away and producers were increasingly integrated into global value chains; a restructuring and globalisation of the larger of South African corporations; and a growing integration of parastatals with private capital, both through privatisation and through their own acquisition of holdings in and contracts with private firms and other parastatals, within and outside of the country.

The JSE, dominated by large local conglomerates in the 1980s, was increasingly denationalised from the 1990s, as the controls over capital movement and investments set up from the 1920s, and the international sanctions against apartheid, ended (see Van der Walt, 2015: 40–41). The Anglo-American Corporation and Old Mutual took advantage of the ANC's neo-liberal deregulations to list many assets on the London Stock Exchange in the 1990s. The conglomerates also generally began a process of unbundling to establish a tighter focus. The Anglo-American Corporation, for example, sold off its stakes in firms like the giant South African Breweries in favour of a focus on mining investments worldwide.

From 2004, foreign investors could list directly on the JSE, and by 2012, held 37 percent of all shares and 43 percent of industrial shares. "Foreign" investors, of course, now included some offshored

South African capital, but this was nonetheless a huge change in capital structure (Van der Walt, 2015). As seen earlier, in the 1980s, JSE was completely dominated by large South African-based firms.

The globalisation of private capital was also seen in numerous acquisitions and mergers which took place between South African and foreign firms. For example, Simba was acquired by PepsiCo in 1997. BOKOMO merged with SASKO in 1997 to form Pioneer Foods, which became a PepsiCo subsidiary in 2020. Safmarine was acquired by Demark's Maersk Line in 1999 and is now fully part of that gigantic shipping line. Gencor bought up assets in Australia, Canada, and Colombia from the 1990s, also taking over Shell subsidiary Billiton. Gencor was then split into Johannesburg-based Gencor and London-based Billiton, the latter merging with Australia's BHP in 2001, becoming the world's largest miner (Jones, 1995; Hattingh, 2007). SAB, listed in London in 1999, purchased the USA's Miller Brewing Company in 2002, followed by Bavaria SA in Latin America, before being merged into Anheuser-Busch InBev in 2016, making that the world's biggest beer company.

Rembrandt did not unbundle, unlike the Anglo-American Corporation. It restructured into the Richemont, Reinet and Remgro groups, all under the control of the Rupert family (Klein, 2017). Richemont, a Swiss-based luxury goods group, owns brands like Cartier. Reinet, hived off from Richmont, is based in Luxembourg and deals with non-luxury goods. A notable investment was the co-founding of Trilantic Capital Partners in in 2009, a global private equity corporation spun out of the bankrupt Lehman Brothers. Remgro is an investment company with holdings in companies across the South African economy.

South African parastatals were also involved in a complicated series of partnerships and acquisitions from the 1990s, including with foreign parastatals and private firms. In 1993, for example, TELKOM entered a partnership with Rembrandt and British-based Vodafone to launch Vodacom, a local mobile phone company based on the GSM standard (Van der Walt, 2023). The parastatal initially held 50 percent, Vodafone 35 percent, and Rembrandt 15 percent via its VenFin subsidiary (VenFin is now part of Remgro). Five percent was acquired in 1996 by a BEE investor. Vodacom was also initially headed by TELKOM's head of mobile communications, Alan Knott-Craig, became Vodacom CEO in

1996. Vodafone later increased its stake to over 60 percent, by acquiring VenFin's and (some of the) TELKOM shares. The government's PIC later acquired shares and became the second largest investor. Vodacom is today a giant South African-based mobile communications company with 130 million customers in 32 African countries.

One of the main investors in TELKOM shares in 1997 was Telekom Malaysia Berhad, a partly privatised and extensively commercialised Malaysian parastatal, as part of a consortium with the USA's SBC Communications. In 2002, SAA purchased 49 percent of the government-owned Air Tanzania carrier. SAPO's commercialisation was partly undertaken through a management contract to New Zealand's Transend, which started in 1999. Transend was a subsidiary of the New Zealand Post, a commercialised parastatal. Transnet held 15 percent of shares in the TELKOM landline rival, Neotel, through its own telecommunications division Transtel, and ESKOM held a further 15 percent. ESKOM was already a significant player in the regional power pool, it began a programme of continental expansion through a subsidiary, ESKOM Enterprises. In 2002, this had "32 bids and projects in Africa, with another 9 in the rest of the world," including joint ventures and utility management contracts (Greenberg, 2009: 92–93). By 2012, South Africa held the fifth largest stock of FDI in Africa, ahead of Brazil, China, and Russia (United Nations Conference on Trade and Development (UNCTAD), 2013: 7, Figure 5), with a significant part of that through parastatals like ESKOM, and investments by parastatals into private firms, like Vodacom.

3.7 "State Capture," Crisis in the Parastatals and the "New Dawn"

By the late 2000s, there were worrying signs. Key parastatals were closing or running down assets, rather than investing. SAA, for example, had been floundering since commercialisation – including a major expansion programme – started in earnest in 1998 (see Beckett, 2001). Like other airlines, it was shaken by the industry-wide crisis that followed the 9/11 attacks in the USA. In 1999, Transnet sold 20 percent of its shareholding in the carrier to Swissair in 1999, but the government had to repurchase the stock when Swissair collapsed in 2002. SAA's

financial position deteriorated further as it lost market share to more competitive private carriers when the local market was deregulated. In 2002, SAA purchased shares in Air Tanzania (see below). This was a costly, unprofitable blunder that ended when SAA sold its stock back to the Tanzanian government at a fraction of the purchase (Business Report, 2006).

Rather than become more efficient, and foster exports, Transnet's freight rail became increasingly dysfunctional, and there was an exodus towards the private trucking industry (McGregor, 2018). Its harbour facilities were marked by growing problems, including growing backlogs and delays. Urban commuters increasingly avoided Metrorail, worried about crime, grime and delay. A growing chasm between ambitious proposals and weak implementation became a hallmark of the ANC government.

Thus, the new ANC government embraced new state capitalism as part of their neo-liberal reforms – yet proved singularly unable to increase the efficiency of most parastatals. Gross fixed capital formation by parastatals fell steadily and may have been as low as 7 percent of GDP in 2010 (Tsheola and Sebola, 2016: 246). Running costs escalated, while the ability to maintain key operations declined.

The ESKOM case illustrates some of these points. ESKOM became very profitable, the parastatal's rising profitability was, to a significant extent, based on reductions in the wage bill achieved by gutting the workforce (Greenberg, 2006: 38–39), a freeze on new builds, and sharp decline in the maintenance of existing generation and transmission assets. There was no progress towards the planned break-up of the parastatal; the entry of IPPs was blocked, and the regional electricity distributors were never established. ESKOM was unable to maintain a reliable and adequate power supply, undercutting the ANC's push for export-led manufacturing growth (Sibuyi, 2021), closing whole industries with recurrent planned – as well as unplanned – outages. The growing shortfall of power evident from 2005 was partly because plans for IPPs to supply up to 30 percent of power stalled, while the government also held back on building new plant (Public Affairs Research Institute (PARI), 2013: 12–14). The parastatal's capital development fund had been shut down in the 1980s, forcing ESKOM to wait for government

approval of expansion plans and willingness to provide funds or back loans (Public Affairs Research Institute (PARI), 2013: 5).

In 2004, the government finally committed to the construction of three new ESKOM power stations, to be completed by 2016. This was funded by steep hikes in rates and huge loans, and the work contracted out to the private sector – initially to Hitachi Africa, a consortium in which the ANC had a large stake. The project was a disaster, running around USD $22.5 billion over budget by 2023, at which point the new stations were still not fully operational. Not only had the country suffered almost 20 years of blackouts, but the once-highly profitable ESKOM had a total debt.

These problems were the result of several factors. Numerous parastatals' operations simply could not raise adequate funding from their own operations, but the hiving off of different operations into distinct companies and subsidiaries blocked cross-subsidisation, For example, urban passenger rail had always lost money since 1910: it had never broken even but relied in transfers from other parts of SAR&H. Predictably, Metrorail / SARCC/ PRASA was soon in dire straits, as it could not raise enough money from its operations. Profitability proved to be a misleading and poor index of efficiency, as it could be attained – at least in the short-term – simply by cutting essential spending, such as on security and maintenance.

Meanwhile, the fiscus was shifting steadily towards consumption spending: notably, a ballooning government wage bill, and rapidly growing expenditure on social services and non-contributary grants. Given a limited tax base, and an expansion of state expenditure well in excess of economic growth, the state capped its investment spending, and insisted that that parastatals pay their own way wherever possible. The effect was that state investment spending on infrastructure and parastatals imploded.

The ANC government also showed a growing inability to implement the numerous, ambitious, multi-year policies and projects that it proposed and designed. Part of the reason was that, like its NP and the old homelands, it made extensive use of the state for patronage. Patronage politics reached astounding levels, as did corruption, and became entangled with factional divisions within the ruling party, and rivalries

between different parts of the state. The South African state had always been fragmented – the homelands system exemplified this issue – but the ANC government's inability to coordinate different parts of the state, and different policies, became acute (Van der Walt *et al.*, 2022: 572). Policy incoherence was highlighted in the 2010s, when Zuma government simultaneously adopted three major economic strategy documents, with different analyses, foci, and timelines (Kaplan, 2013). Parastatals like ESKOM were subject to multiple, often competing, policy imperatives, leading to contradictory actions (Sibuyi, 2021). For example, ESKOM was pressured to, simultaneously, keep electricity prices low and the power grid stable to foster growth and attract investment, while also being pressured to cut spending and freeze investments, in order to make a profit.

A lack of administrative capacity was evident in substantial parts of the state. This was partly due to patronage politics – in which political loyalty often overrode merit in appointments – but was also a holdover from the old government. Among the compromises reached at CODESA was job and pension security for all employees of the old government, including the homelands. However, many experienced and effective bureaucrats – often white – soon left, facing ANC suspicions of the old guard and pressure to make way in the interests of employment equity (Giliomee, 2010). The ANC, organised for decades as a militant political movement outside of the state, could not really fill the gaps from within its own ranks. It was obliged to rely heavily on staff drawn from the former homeland bureaucracies i.e., from the most inefficient and corrupt remnants of the old state (Chipkin and Meny-Gibert, 2012; Picard, 2005). Thus, that the deeply problematic organisational culture of the old homeland administrations was carried over into core parts of the post-apartheid state (Chipkin and Meny-Gibert, 2012; Phillips *et al.*, 2014).

A significant part of the ANC elite was soon involved in corruption, with parastatals a key site for private, illicit, accumulation. The best-known early case was a major defence procurement programme in the late 1990s, commonly known as the Arms Deal. Credible evidence emerged that ANC Chief Whip Tony Yengeni, Deputy President Jacob Zuma, and several ANC cabinet ministers – including Stella Sigcau, an

aristocrat and former Transkei *apparatchik* – had received large bribes from Western arms dealers. Ousted from his executive position in the government, but still a powerful figure within the ANC apparatus, Zuma waged a fightback that culminated in his faction winning control of the ANC in 2007, and Zuma becoming State President in 2009, a position that he would hold until 2018.

By 2014, extensive evidence had emerged of a staggering system of grand corruption, often dubbed "state capture," built up around Zuma. This was a qualitative shift from earlier corruption scandals, in its scope and in its systematic and organised character, State capture centred on a shadow state of key ANC leaders working with a small group of politically connected private capitalists, to repurpose state assets and the cadre deployment system for massive looting through corrupt contracts (Chipkin and Swilling, 2018; Jonas, 2019; Bhorat *et al.*, 2017). This was enabled through a deliberate erosion of specialist law enforcement bodies, a brazen flouting of the law, and the capture of key posts in the state and the parastatals. This regressive and economically disastrous project was obscured behind a leftist, racialised, "Zumaite" rhetoric centred on the idea that a Radical Economic Transformation (RET) was underway. The system was further entrenched by sharing the rewards of plunder through systems of patronage that ran through to the lower rungs of parts of the state bureaucracy and the parastatals' workforce.

The capture of the Ministry of Public Enterprises, ESKOM, Metrorail, SAA, the SABC and Transnet was at the heart of this project, with fortunes extracted through grossly inflated bills for supplies never provided or, if provided, at grossly inflated prices and often unfit for purpose. The ballooning costs of the ESKOM expansions were one result, as was the appointment of coal suppliers unable to deliver coal of the correct quality or in adequate quantities Another was over one hundred corrupt contracts at PRASA, including the purchase of 4,000 trains from Spain that did not fit on the South African railway system, and the implosion of Metrorail services. Rigged tenders were used to siphon billions out of Transnet, SAA and SABC, leading directly to the financial collapse of the national broadcaster and airline (Chipkin and

Swilling, 2018; Jonas, 2019; Bhorat *et al.*, 2017; Jonas, 2019). SAA was in dire straits by 2012 and was declared bankrupt in 2019.

The state capture project was paralleled by corrupt schemes at provincial and local government level. For instance, the Ithala Development Finance Corporation was implicated in a series of interest-free loans and write-offs channelled through front companies to senior ANC politicians in the province of KwaZulu-Natal. Thus, there was a large-scale looting of state resources to corrupt networks, along with a destruction of basic state capacities. The effects of these activities were profoundly anti-developmental, with ESKOM, for example, unable to provide reliable power, and the Transnet system including key harbours, in a state of collapse by the late 2010s.

In 2017, Zuma was ousted as ANC leader by a reformer faction led by businessman Cyril Ramaphosa. Ramaphosa became leader of the ANC and, subsequently, the State President. This shift took place against the backdrop of rising popular anger and protests, civil society campaigns and a general strike, the ANC bleeding support to other parties, and pressure from organised business. The ANC won the 2019 elections handily, but with a reduced margin. Ramaphosa has since consolidated his control over the party by defeating key Zuma allies, rewarding allies, and managing a delicate balance of different interests and factions.

The Ramaphosa period – optimistically dubbed by the "New Dawn" by the Presidency – has had modest success in undoing some of the effects of state capture. It has prosecuted state capture kingpins, cancelled numerous corrupt contracts, and improved parastatals' performance: most notably, rolling ESKOM blackouts largely ended in early 2024. In addition, the new government has attracted private investment from abroad, and improved relations with big business at home. Older plans to restructure parastatals, such as the breakup of ESKOM and the opening of the power sector to IPPs, and to professionalise the state bureaucracy, have been revived.

But the damage wrought by state capture remains extensive. The state has had to spend billions on investigating and prosecuting those involved, and on bailing out essential parastatals like ESKOM and

Transnet. This has placed additional strain on an already overburdened fiscus. Enormous state companies, including ESKOM, remain dysfunctional and inefficient, hollowed out by years of corruption, maladministration, and corruption (see Bowman, 2020).

The Ramaphosa-led government has also proved unable to rein in spending and is increasingly reliant on loans. State debt was around 28 percent of GDP in 1985, despite the then-government operating the costly apartheid edifice, engaging in hot wars and counterinsurgency, instituting states of emergency, and taking a hammering from sanctions and economic instability.[13] Under the ANC, despite a peace dividend, economic revival and the end of sanctions, state debt reached 77 percent in 2023. This was due to a combination of economic shocks, spiralling and often profligate spending, patronage, waste, maladministration and corruption. The state sector accounts for 25–28 percent of GDP, and the state remains by far the single biggest employer.

The long-term neglect of investment in infrastructure casts a long shadow over water supplies, transportation, and urban development, yet the money needed is not readily available. The problem is not a neo-liberal policy of austerity, but an objective lack of money, a lack of an appropriate sense of urgency, and the ANC's own political considerations. Crucially, there are baked-in commitments to prioritise politically popular consumption spending, like fee-free services, welfare grants and the state sector wage bill, over government investment. Reform of the state bureaucracy has proceeded slowly – again, partly due to political considerations – despite the importance of such change.

In 2024, the ANC had to establish a Government of National Unity with other parties. This followed its worst-ever performance in the national elections held that year. While many "Zumaites" have left the party, it remains riddled with factionalism and marred by scandals; its brand is permanently tarnished; despite extensive evidence of wrongdoing, including from the governments' own Zondo Commission, no key state capture kingpins have been jailed.

[13] International Monetary Fund (IMF) (2023). "Central Government Debt." Available at: https://www.imf.org/external/datamapper/CG_DEBT_GDP@GDD/ZAF .

Thus, South Africa operates a version of new state capitalism that is characterised – unlike its Chinese or Russian counterparts – by chronic underperformance and lack of capacity. The model is the same, but the results are, comparatively speaking, abysmal.

4

State and Capital in Namibia

As a recently democratised country with an unusual colonial history, Namibia provides an instructive context for studying changes in state-capital relations. The post-colonial economy, particularly after 2010, exhibits several of the hallmarks of the new state capitalism, albeit with distinctive national propensities and liabilities. It is however important to locate this in a longer history of state capitalism in the country. Exploring the development and evolution of "state capitalism" at the national level affords insights into changing state-capital relations but, as is the case with South Africa and Zimbabwe, there is practically no systematic engagement with the notion of "state capitalism" in the scholarly works on Namibia. The only direct reference we could find is Dobler (2017: 461), arguing that "the alliance" between entrepreneurs associated with the Namibian ruling party and the growing number of Chinese investors "strengthens Chinese and Namibian variants of state capitalism." He also argues that their joint agenda is driven by "the individual self-interest of well-connected elites." However, he provides little in the way of conceptual explication, nor does he examine how state capitalism's manifestation is marked by uneven sedimentation in practice.

4.1 State-Capital Linkages in German South West Africa

Following the declaration of a German protectorate in 1884, efforts were made to use a charter company system to develop *Deutsch-Südwestafrika* (German South West Africa, now Namibia). These endeavours were unsuccessful, as indicated earlier, and the German state played an increasingly direct role through colonial Governors, starting with Theodor Gotthilf Leutwein. Over its 30-year existence, the colony witnessed the transformation of the territory into a white-dominated society characterised by the violent subjugation of the local population, large-scale land dispossession, and the establishment of a rigid racial hierarchy and racist state (Melber, 2014: 8).

The project centred on establishing European settlements, with logistical, financial, and military support from Germany, interlinked by a basic infrastructure and underpinned by commercial farming. The result was a symbiotic relationship between the government and private economic actors, as the state-backed private settlements contributed, in turn, to the establishment of territorial control (Goldmann, 2018).

Pressures on local people through land losses and taxation triggered a rebellion from 1904 to 1907. Posing a severe threat to German rule, it was subdued with a degree of brutality that was shocking even by the standards of the time. Lothar von Trotha's troops defeated the main Herero army at Waterburg and then drove the Herero population into the Kalahari, where vast numbers died. The Nama were crushed in 1907, with survivors herded into concentration camps where conditions levied a grim toll. German colonialism did not begin (or end) in Africa, as it had a longer history in Europe. There was, however, a close connection: the grim methods and doctrines developed in *Deutsch-Südwestafrika* anticipated and influenced those used by the Nazis on the Eastern Europe (Bley, 1967; also see Hishongwa, 1992: 7; Madley, 2005).

These military victories allowed the German state to allocate the best farmland in the southern and central area to white farmers, as well as to engage in large-scale livestock expropriations with an eye on commercial agriculture. This sparsely populated area was dubbed the *Polizei-Zone*, and directly ruled by Germany. North of the *Polizei-Zone* was the heavily populated area allocated for black African reserves

and ruled indirectly through black African aristocrats. Agriculture in the Police Zone followed, roughly, the same pattern of large-scale white-owned commercial farming as that of South Africa and Southern Rhodesia.

The northern region, where most of the colony's population lived, experienced very little land dispossession (Silvester, 2015: 516). It served mainly as a reservoir of migrant labour for the country (and, to a far lesser extent, for South Africa). It was governed through a system of indirect rule based on black aristocracies. A "red line" delimited the arid Police Zone from the more verdant northern zone, with its large Bantu-language-speaking black African farming societies. The lush north, south of the Angolan border, was home to two-thirds of the colonial population, the Ovambo alone accounting for over half of the 1914 total South West African population of 214,000 (van der Walt, 2003: 7–8).

The arid white farmlands in the Police Zone were far from ideal and they were best suited for large ranches, based mainly on goats and sheep, worked by local groups like Nama and northern migrants. Thus, livestock accounted for roughly three-quarters of agriculture's contribution to GDP during German (and, subsequently, South African) colonialism.

The colonial state made systematic efforts to render blacks in the Police Zone into "a landless proletariat" and "force them to work in a disciplined and orderly manner for white employers" (Wallace, 2011: 184). It also aspired to make it "impossible for Africans to earn an independent living" anywhere in the colony through legislation that, among others, restricted land access, stock ownership, and hunting (Wallace, 2011: 185). Rinderpest, land shortages, changing household dynamics, and the rising demands by the ruling elite fostered a system of oscillating black African migrancy from the northern region into the Police Zone, providing a source of cheap contract labour for construction, farms, and mines.

Even so, the German colony was not financially viable and was headed towards bankruptcy in the early 1900s. Mining proved its salvation. Copper and zinc mines were opened at Tsumeb in the north in 1906, followed by diamond mining in the south near Lüderitz, the main

port in the south, in 1908, followed a few years later by fields at the mouth of the Orange River (Oranjemund). In 1909, 15.4 million marks of diamond were exported, and by 1913, this increased to 58.9 million, with copper exports also increasing. From 1909 to 1913, the combined total of diamonds and copper accounted for between 91–95 percent of the total exports of the territory per annum, with most destined to Germany (Hope, 2018: 88). German South West Africa also exported significant quantities of lead and tin ore, goat and sheep hides, meat, wool, and live goats.

Despite colonial efforts to create a large local proletariat, there were endemic shortages of labour, exacerbated by the mining boom. Rising wages made the colony (for a time) one of the most attractive labour markets in the region for workers (van der Walt, 2003: 8). Germany recruited white workers from its homeland and increasing state support led to a rapidly growing number of Germany immigrants (Hope, 2018: 90). By 1914, there were 14,000 whites in the colony, including 12,000 Germans and a sizeable Afrikaner minority (van der Walt, 2003: 8). As there were just 1,300 white farms in 1913, most whites were obviously not involved in agriculture: most were urban; many were working-class (van der Walt, 2003: 8). This supply was supplemented by the recruitment of black African and Coloured workers from South Africa at Cape Town (Beinart, 1987: 167–170, 178–9; Moorsom, 1978), and of black African sailors from West Africa (van der Walt, 2003: 8). The import of labour did not address the problems in white-owned agriculture. Many white farmers were under-capitalised and could only afford very low wages in the face of competition from other employers (van der Walt, 2003: 7; also, Moorsom, 1978).

The wealth generated by the mining boom generated unprecedented revenues for the colonial state. It financed an expansion of investments in infrastructure and support for white farmers, hoping to establish an agricultural export economy (Hope, 2018: 89). Railways were constructed linking the port at Lüderitz to Keetmanshoop, a key centre in the white farmlands, the capital Windhoek the capital in the centre, the harbour at Swakopmund, and Tsumeb, the copper mining centre in the north.

State support for agriculture included imports of various types of cattle for breeding, a state stud farm for selective breeding, and direct financial grants for farmers (Hope, 2018: 89). Germany was also keen in farming developing beyond the raising of livestock (Lau and Reiner, 1993). The colonial state undertook research into wool production, camels, horses, ostriches, pigs, and poultry, as well as into the establishment of coffee, cotton, rubber, tobacco, and leather industries (Lau and Reiner, 1993).

By late 1914, at the onset of the First World War, agricultural production was finally "on the verge of overtaking demand, and the question of finding markets for the surplus stock was being carefully investigated" (Hope, 2018: 90). The manufacturing sector, on the other hand, was almost non-existent. A South African report noted that "[p]ractically all the necessaries of life, except slaughter stock, are imported ... There is, generally speaking, nothing manufactured" (cited in Hope, 2018: 90–1). One of the only significant manufacturing facilities was the South West African Breweries, formed in 1920 by merging several smaller German-owned firms, which would later produce the well-known Windhoek Draught and Windhoek Lager brands. However, its beers required malted barley and hops, which had to be imported.

4.2 South West Africa under South African Colonial Rule

The period of South African rule started in 1915 with military occupation, as South African forces – part of the British imperial war effort but an independent military – defeated German troops. After the war, the German and Ottoman empires were broken up. While some of their colonies (like Czechoslovakia) received independent statehood, others (like South West Africa, i.e., Namibia) were deemed unready and placed under the League of Nations.[1] The League then placed these territories under the control of other states through a system of international mandates.

[1]The literature traditionally draws a distinction between the German Empire, and the German colonial Empire, the latter referring only to overseas colonial possessions. However, the empire included colonial holdings within Europe itself.

From 1920, the mandate for South West Africa was "exercised by the Union of South Africa on behalf of His Britannic Majesty" (Cooper, 1991a: 37). South Africa already ruled the territory by right of conquest, and it featured heavily in aspirations for a "Greater South Africa." The South African state began to integrate the territory but could not complete the process due to the mandate. In terms of the mandate, South Africa was not to profit from its rights of Administration and was entrusted with the well-being of the population. The interpretation and implementation of the mandate became a perpetual source of conflict between South Africa and the League, and this continued under the League's successor, the United Nations (UN) (Cronje and Cronje, 1979: 7; Kaela, 1996). There were repeated requests by South Africa that it be permitted to annex the territory as a fifth province, but these were blocked by the League and the UN.

Full and final "administrative and legislative authority" was, nonetheless, vested in the South African state, which also retained control over currency; customs and excise; defence, security, and policing; foreign affairs; transportation; and various matters dealing with the black population. Notably, South African laws and proclamations on these matters applied (Horrell, 1967: 19). Most South African laws applied to the territory (First, 1963: 123–124).

The territory was, however, governed by a separate administration of South West Africa headed by an administrator ("administrator-general" from 1977) from South Africa. It retained the division between the directly-ruled Police Zone, where most whites lived, and the northern black African reserves, based on indirect rule. The Administration had its own fiscus and was responsible for collecting and raising revenue until 1969. The monies were used for internal expenditures, like communications, education, health, and public works, and for payments to South Africa for the administrative services, loans, policing, and for SAR&H railways and harbour operations.

The two territories shared the same passport system. The High Court at Windhoek was a provincial division of the Supreme Court of South Africa. The military and police were merged into the South African forces in 1939 (Horrell, 1967: 21). The Union Defence Force (the South African Defence Force, or SADF, from 1957) and the South

African Police (SAP) were therefore the main armed forces in the territory. Provision was made for South West African whites to become South African citizens, and South African immigration was successfully encouraged. A substantial of Germans were repatriated, although a large German population remained.[2] By 1926, 50 percent of the white population spoke Afrikaans, and 10 percent English (van der Walt, 2003: 8). Local whites had a separate Legislative Assembly from 1925 (Cooper, 1991a: 79; Horrell, 1967: 19; Murray, 1974: 36). The Legislative Assembly could request that legislation in matters reserved to South Africa be amended or repealed – but its own legislation was also subject to South Africa's approval (Horrell, 1967: 20). From 1949, they could directly elect six seats in the lower house of the South African parliament, and indirectly nominate two of Senators in the upper house.

The economic pattern of a raw materials-based economy established under Germany was systematically entrenched under South African rule. The racially structured social order was adapted to the South African pattern. South West Africa was protected by the same trade restrictions as applied to South Africa i.e., the protectionist system adopted by South Africa in the 1920s covered the colony. However, it was not protected *from* South Africa, as there was a common trade area based on the South African currency. South West African manufacturers faced a "double disadvantage," having to pay tariffs on imports, designed to protect South Africa's manufacturers, while getting no protection from South African products (Curry and Stoneman, 1993: 51). Its manufacturers were also uncompetitive, facing larger, heavily subsidised South African firms that also benefitted from economies of scale (Curry and Stoneman, 1993: 51).

[2] Almost all Germans were repatriated in the aftermath of the First World War from the other Mandate territories in the former German Colonial Empire. A parallel process, affecting a considerably larger population, followed the Second World War when ethnic Germans (*Volksdeutsche*), as well as German citizens (*Reichsdeutsche*) were expelled from the Soviet sphere of influence in Eastern and Central Europe.

In addition, South African parastatals operated the colony's communications, energy, and transport systems into the 1970s. These parastatals provided the core communications and infrastructure grid, focusing on integrating the vast (but sparsely populated) territory and on providing the basis for its raw materials-based economy.

Post and telecommunications were incorporated into South Africa's P&T. This included the use of South African stamps, overprinted "South West Africa" or "SWA" until 1953, integration into the South African postal and telephone code system, and direct dialling between the two territories. The South African military seized the railways during the invasion and occupation of South West Africa. The network, severely damaged by retreating German forces, was repaired, upgraded, and expanded by the military (Hart, 1978: 28–29; Huth, 1964: 29–31). The railways and harbours were then taken over by the SAR&H (in 1922) and fully integrated into the railway grid in South Africa by a new line from Keetmanshoop in the south, to Upington in South Africa's northern Cape. The SAR&H also provided road services, especially in the northern black reserve areas (Cooper, 1991a: 39, 143 note 8; Horrell, 1967: 22, 62, 68–69). South West Africa was one of the gigantic parastatal's nine regional divisions, this division being headquartered in the capital, Windhoek (Edwards, 1987: 94 note 21). Its South West African operations ran at a loss, with prices heavily subsidised, and the SAR&H providing locomotives, carriages, and road vehicles from South Africa (Horrell, 1967: 62).

Before the 1970s, electricity was provided mainly by South Africa's ESKOM, supplemented by a few local plants. The SAA ran regular flights from South Africa, which were considered domestic flights, and therefore did not require passports (Cooper, 1991a: 117). It also operated a weekly connection from Windhoek to Europe. However, SAA left local flights within the colony to a private firm, South West Airways (Horrell, 1967: 22), later renamed Namib Air. The origins of this local firm lay in South West Air Transport, formed in 1946. In 1950, the SABC set up a shortwave radio service to South West Africa, broadcasting a mixture of English and Afrikaans programmes from South Africa, but it did not operate local studios (Harmse, 2018: 43).

The Administration had very few parastatals of its own before the late 1960s (see below) and in fact, far fewer than the average black African homeland in South Africa. Its sole large state development finance institution in the early years was the Land and Agricultural Bank of South West Africa. This bank had its roots in the German-era *Deutsch-Südwestafrikar Farmerbund* ("German South West Africa Farmers' Association"), founded in 1907: it focused on supporting white commercial farming in the southern and central regions. A parastatal agricultural board system, that paralleled that in South Africa itself, was established from the 1930s.

The South African state fostered a dairy and meat processing industry but otherwise showed scant interest in industrial development (Hope, 2018: 102–3). Meat processing was an essential outlet during droughts and disease (Rawlinson, 1994). Support for dairy and meat processing was provided by local agricultural boards, as well as by South Africa. South Africa's Meat Board, for example, financed a revamp of slaughter facilities in Okahandja, in the central region. Its South West African counterpart provided a loan at generous rates to expand the town's meat processing plant's cooling and deboning facilities. Jointly, the boards contributed to the costs of exporting canned beef (Hope, 2018: 146).

South African parastatals were crucial to the South West African economy in other ways. For example, ISCOR's zinc requirements were met by Zincor, which was owned by Gold Fields South Africa (Van Dyk, 2006: 274–275). Zincor drew heavily on South West African supplies, which were provided through a Gold Fields-Anglo-American Corporation consortium (Seidman and Seidman, 1978: 168). ISCOR owned the Uis tin mine through a subsidiary called the Industrial Minerals Mining Corporation. It also opened the Rosh Pinah lead-zinc mine in 1969 as a majority shareholder in the Industrial Mining Corporation (Imcor), a joint venture with the foreign firm Moly Copper Mining and Prospecting Co. (SWA) (Seidman and Seidman, 1978: 168). The IDC owned a quarter of the shares in the Oamites Mining Company, which started copper production in 1972 (Seidman and Seidman, 1978: 168).

Thus, South West Africa was incorporated into South Africa's ISI system, and was served by South Africa's parastatals. Yet these parastatals operated differently in the colony to how they operated in South Africa proper. They did little to foster South West African industry or industrialists. Rather, they promoted industrialisation in *South Africa* itself by positioning its South West African colony as a source of raw materials, and as a market for South African goods. The inclusion of South West Africa within South Africa's tariff walls followed the same logic: it locked rivals out of most of South West Africa's markets.

From 1945, the South West African economy grew rapidly, with the GDP rising from ZAR140.9 million in 1960 to ZAR321.3 million in 1970, and ZAR1.327 billion in 1980 (Thomas, 1983: 53). This growth was based on increased output – as well as improved prices for – primary products, notably base metals, diamonds, cattle, karakul, and the fish catch (Thomas, 1983: 53; Wallace, 2011: 257). Mining still accounted for almost half of the total, and since large foreign (especially South African) firms dominated the sector, up to half the value of the GDP flowed outwards through dividends and remittances sent out of the colony (Cronje and Cronje, 1979: 7). South Africa was the primary trade partner and investor: in 1970, it purchased 50 percent of the territory's exports, supplied 80 percent of its imports, and accounted for nearly 50 percent of private investment (Murray, 1974: 30–33), "while preserving the country as a market for South African manufactures" (Seidman and Seidman, 1978: 165). In the absence of protective barriers, South African firms dominated the sale of processed goods, engaged in dumping, over-pricing of intermediate inputs, and restrictive purchasing policies.

The South African government did try to attract other foreign investment to its colony, but the focus was on growing the primary sector, and on foreign policy considerations. It was hoped that investment would boost mining, as well as foster a "bond of mutual interests" with Western multi-national corporations against diplomatic pressure and possible sanctions (Mbuende, 1986: 90; Green *et al.*, 1981; Moorsom, 1980; and the studies in Cooper, 1988). To these ends, the South Africans state provided favourable taxes and licence fees, generous write-off provisions for capital invested, exclusive prospecting grants, and dangled the

promise of high profits. By one estimate, the USA firm Newmont earned USD $85,737,676 from an original investment of USD $1,151,400 in the Tsumeb Corporation between 1952 and 1970 (Winter, 1977: 200).

The South West African whites were also unable to initiate something similar to South Africa's industrialisation programme. The Administration was not independent, and so, it had little scope for developing policy, including economic policies. It had a small state apparatus, relied on a small, locally generated, revenue stream and South African aid. The Administration was subsidised by the South African state, which bore a substantial part of the costs of agricultural support, policing, and SAR&H operations (Horrell, 1967: 62). It could not raise loans internationally. Moreover, the use of funds was limited by an ongoing policy emphasis on running a surplus in order to build up reserves (Murray, 1974: 36), rather than incurring debts with an eye on long-term development.

Politically, there was little in the way of a distinctive (white) South West African nationalist sentiment akin to that in South Africa or Southern Rhodesia. Afrikaner nationalism had a notable influence in the colony, expressed in the National Party of South West Africa, but this was closely aligned to the NP in South Africa and the project of incorporating the colony as a fifth province. Nor was there a bloc of local capitalists to champion local industrialisation. By the 1980s, of ZAR1.8 billion invested in fishing, farming, and mining, and related processing industries, no more than ZAR40 million was owned by local, including local white, people (Uys, 1983: 109).

Thus, the South West African economy remained dominated by farming, fishing, and mining, although the relative share represented by these sectors varied over time; and by foreign investment, most of which was South African. In 1963–1964, South West Africa had just 212 industrial establishments, employing 8,400 people, and two-thirds of total manufacturing output was processed fish. Local minerals processing was just ten percent of total manufacturing value (Seidman and Seidman, 1978: 163). In 1970, the shares of total GDP were farming at 16 percent, fishing at 25 percent, and mining at 59 percent (Murray, 1974: 30–33), with these figures seemingly excluding services.

Waged employment was, then, concentrated in the primary sector, and the largest employers were the mines and the parastatals. As in neighbouring countries, the working-class was itself racially stratified, with discriminatory practices, policies and legislation that established an occupational colour bar, including skilled and supervisory jobs reserved for whites (see Green *et al.*, 1981; South West Africa People's Organisation (SWAPO), 1981; Rogaly, 1967; Vigne, 1975). The wages of black Africans in South West Africa were generally considerably lower than those of their South African counterparts, and the gap between black African and white workers' employment and living conditions was, in some respects, wider than in South Africa (see Cronje and Cronje, 1979; Dekker *et al.*, 1975; Herbstein and Evenson, 1989; Rogaly, 1967; Wallace, 2011; Winter, 1977: 95; also see: Gottschalk, 1978: 98; International Defence and Aid Fund for Southern Africa (IDAFSA), 1980: 29). Extremely low wages in a labour-repressive system meant, for example, that black African miners' wage bills only represented around three percent of the revenue of the Tsumeb mine, one of the richest in the world (Minter, 1986: 200).

South West Africa's industrial structure was fragmented, with few links between local operations, and consequently, growth in one sector tended to increase imports rather than stimulate growth in other sectors. There were poorly developed inter-firm linkages, and the largest and most profitable companies focused on exports. Mineral resources were shipped directly to manufacturing operations elsewhere – for example, raw diamonds were transported uncut to Europe – rather than exploiting the potential for creating additional local employment and downstream operations. Where local processing did occur, plants tended to be capital-intensive and export oriented (Mbuende, 1986). The flipside was an extensive reliance on imported capital and consumer goods, again limiting local job creation and economic development.

This situation led the World Bank to ask: "the intriguing question is not why is the Namibian manufacturing sector so small, but why does it exist at all?" (cited in Curry and Stoneman, 1993: 52). Part of the answer lies in the fact that some manufacturing – for example, fish and meat processing – was far easier to undertake locally than elsewhere.

Another part lies in a belated shift in South African policy in the 1960s, as discussed below.

4.3 Reforms and Regional War in the Later Years of South African Occupation

Large-scale state-backed development projects, which were not simply extensions of South African projects, only started in the early 1960s. This major shift was driven by Pretoria, not Windhoek, and rested on support by South African parastatals, including development finance institutions. It began before the 1962–1964 Odendaal Commission on South West Africa but accelerated in its aftermath.

The state sector expanded dramatically in South West Africa. In 1964, South Africa's IDC set up the South West Africa Water and Electricity Corporation (SWAWEK). SWAHEK expanded the electricity grid and – along with the South African government – set up a coal power station at Windhoek and the giant Ruacana hydroelectric plant on the Kunene river on the Angolan border. Both went live in the 1970s. SOEKER established a South West African subsidiary called SWAKOR (Seidman and Seidman, 1978: 66), and oil exploration began in the colony in 1967. In 1969, the SABC established FM services in South West Africa, with studios in three towns and headquarters in Windhoek (Harmse, 2018: 73, 95). The service broadcast in the Afrikaans, Damara, English, Herero, Nama and Ovambo languages, and included local news.

The Odendaal Commission advocated extending the grand apartheid homelands system to the colony, fiscal incorporation into South Africa, and accelerated development (Murray, 1974: 38, 114–115). While this suggests that the South African government was still set on direct incorporation, closer examination reveals it pursued somewhat contradictory objectives. At one level, there was indeed a push towards integration.

The adoption of the Odendaal report in 1968 meant alignment with grand apartheid policy. Homelands were established from 1968, ten in total: Bushmanland, Damaraland, East Caprivi, Hereroland, Kaokoland, Kavangoland, Namaland, Ovamboland, Rehoboth, and Tswanaland. Unlike the situation in South Africa, where the homelands system had no space for Coloured people, two of the South West African

homelands would have been for groups of mixed-race descent: Namaland and Rehoboth. The Tswanaland homeland was for the same group – Setswana speakers/Tswana people – as South Africa's Bophuthatswana.

Three of the homelands were granted self-governing status in the 1970s: East Caprivi (1976), Kavangoland (1973), and Ovamboland (1973). The South African government's Bantu Investment Corporation, which provided development finance to the South African homelands, extended its operations to their South West African counterparts (Hope, 2018: 151). There was also substantial fiscal incorporation into South Africa from 1969, a significant increase in state-led South African investment and, at a more symbolic level, steps like integration into the South African postal code system in 1973.

Yet, at another level, there was the onset of a process that might be termed "Namibianisation." In earlier years, South African parastatals like SAR&H simply swallowed up local assets. Now, the founding of SWAHEK, SWAKOR, and the localisation of SABC content were steps in the opposite direction: building up distinct assets, including new parastatals directly under the South West African Administration, and developing new symbols for the territory. From 1965, the Bantu Investment Corporation established small enterprises, including factories, in Ovamboland (Hope, 2018: 151). From 1976, its South West African operations were hived off into smaller development corporations – one per homeland, like the Caprivi Development Corporation, Ekuliko Kavango Limited, the Ovamboland Development Corporation, and the Rehoboth Investment and Development Corporation (Hope, 2018: 151 note 154). In 1978, these were merged into the state-owned First National Development Corporation of South West Africa, which became an essential part of the economy, particularly in the north.

State-backed enterprises were sometimes involved by being awarded homeland government procurement contracts. In Ovamboland, for example, a state-backed furniture factory provided benches and desks for the government, a meat processing factory supplied schools in the region, and a construction company was almost exclusively employed for government projects (Dobler, 2014: 98).

The Administration operated several enterprises of its own. In 1966, South West Airways amalgamated with another private carrier, NamibAir, and from 1969 passed into the control of Safmarine, which was partly owned by South Africa's IDC. The Administration acquired a stake in Safmarine in the 1970s and gained full control in 1982 (Labuschagne, 1986: 17). There were moves to greater autonomy for South West Africa. Constitutional reform during the late 1970s meant that "most of the powers for the direct rule of Namibia that had been taken by the South African government since the Second World War were returned to Windhoek" (Wallace, 2011: 287). There was a repeal of some apartheid legislation, such as the laws prohibiting inter-racial marriage and those preventing equal pay for all races, although many discriminatory measures remained in the statutes (Wallace, 2011: 292). There were also efforts to build up a black African middle class, especially in the homelands, as potential allies against the nationalist South West African People's Organisation (SWAPO) (Mbuende, 1986: 97).

Now on a looser leash, the South West African administration expanded its parastatals. In 1986, NamibAir was placed within a new parastatal, the South West Africa National Transport Corporation, and in 1987 became the territory's first-ever national flag carrier. The 1987 National Transport Corporation Act empowered the Corporation to "carry on any business activity in all branches of the transport services" and took over most of the "movable and immovable property, the assets and liabilities, rights and obligations" managed by SAR&H (by then named the South African Transport Services, or SATS) (see Official Gazette Extraordinary of South West Africa, 1987: 10, 21). A Development Fund of South West Africa was established that same year.

The First National Development Corporation undertook a belated, modest industrialisation project. In its first seven years, it dispensed loans to over 500 businesses, with 80 percent of the funds destined for manufacturing activities (Hope, 2018: 152). A "small industrialist scheme" was also launched in the early 1980s, providing workspaces subsidised with low-interest rates and rentals, assistance with the purchase and marketing of products, administrative training, management consultation, and financing for production inputs (Hope, 2018: 152).

The Corporation also undertook research on the viability of various manufacturing and other economic activities (Hope, 2018: 152).

The First National Development Corporation also owned, among others, a meat processing factory, a venison plant, a firm producing woodchips, a maise mill, a soft drink plant, a firm producing gemstones, bakeries and the Milcor dairy company (Hope, 2018: 152). When the small dairy industry reached the verge of collapse in the 1980s, the Administration nationalised the five surviving milk plants (Hope, 2018: 145). It then arranged their sale to the private firms Bonmilk and Rietfontein Dairy, facilitating these purchases by providing generous loans to the companies (Hope, 2018: 145). As the meat industry faltered, partly because of cuts in export subsidies due to South Africa's reduced financial support to the territory (Rawlinson, 1994: 193), the Administration intervened (Hope, 2018: 146), nationalising the meat canning industry in 1986. It established the Swameat Corporation, which had working capital from the First National Development Corporation: two plants were closed, a bonemeal plant was taken over, and a venison plant and a pet-food plant were established (Rawlinson, 1994). Swameat, a parastatal, dominated meat production and export.

The belated state-backed industrialisation that took place in South West Africa did register some successes. For example, whereas only eight percent of South West African livestock was locally processed between 1946 and 1956, the figure increased to 49 percent by 1990 (Hope, 2018: 147). Some firms, like Swameat, became financially self-reliant (Rawlinson, 1994). But the basic pattern of reliance on raw material exports, and a lack of local manufacturing, remained firmly in place. For example, in the early 1980s, the mining industry for diamonds, uranium, and copper, which was dominated by international and African companies, contributed about 30 percent of GDP, and accounted for more than two-thirds of exports and about 40 percent of state revenue (Freeman, 1992; South West Africa People's Organisation (SWAPO), 1981; Tapscott, 1991; Thomas, 1983).

The industrialisation programme was, however, on a small scale and concentrated on low-value processing and light manufacturing. South African subsidies to the colony were cut in the 1980s, partly to offset

the costs of the Border War. The First National Development Corporation's impact was limited by the lack of a national development strategy, disinterest from much of the Administration, and "increasing pressure" to privatise (Hope, 2018: 152–153). Many private investors were uninterested in – and sometimes hostile to – structural transformation, and the Administration was increasingly "indoctrinated with 'free market' ideology" (Thomas, 1983: 145) by a range of internal and external agencies. International economic shocks, drought, worsening of import-export price ratios, and declining investor confidence in the face of the country's political challenges and the Border War in the north precipitated a steep economic decline from the 1970s (Green, 1986: 3; Hope, 2018: 138; Melber, 2000, 2007a, 2014; Simon, 2002; Tapscott, 1993; Wallace, 2011; Wood, 1991). GDP growth in constant prices was negative for six of the eight years from 1978 to 1985, and levels of unemployment increased significantly for the first time (Wallace, 2011: 301). In addition to external shocks, the South African government was, some charged, more interested in ensuring the "prior consolidation of the conditions for a stable semi-colonial state" than real development (Wood, 1991: 744).

While the adoption of grand apartheid in South West Africa played a role in South Africa's changing policies towards South West Africa, other factors also played a role. The South African state had become a Republic in 1961, following a referendum amongst whites, in which South West African whites participated. Independence for South Africa raised questions about the legal status of the UN mandate. In addition, the new Republic faced growing international pressure and isolation on various fronts. In 1963, the UN Security Council called for an arms embargo on South Africa. In 1964, apartheid was formally condemned by the UN's International Labour Organisation. In 1966, the mandate was formally withdrawn by the UN, and in 1969, South Africa was instructed by the UN to withdraw from the territory.

Meanwhile, large armed insurgencies had developed across the region. In 1961, both South Africa's ANC and the Angola's *Movimento Popular de Libertação de Angola* ("People's Movement for the Liberation of Angola"/MPLA) launched armed struggles. SWAPO started its own armed insurgency in 1966, working with the ANC and various Angolan

groups, eventually forming an alliance with the MPLA (Shigwedha, 2014). Once the MPLA secured control over parts of southern Angola, it started to allow ANC and SWAPO to establish military bases. Although SWAPO's armed struggle was initially very modest, MPLA support boosted its fortunes. SWAPO became able to mount incursions from southern Angola into South West Africa. This provided access to the homelands in the north, where the majority of South West Africans – and the overwhelming majority of black African people – lived. East Caprivi, Kaokoland, Kavangoland and Ovamboland were brought into the theatre of a growing war, and the Ovambo areas became the great bastions of SWAPO support.

South Africa felt obliged to undertake large-scale counter-insurgency operations in northern South West Africa, and its forces also established a large presence in a southern Angola, where SWAPO had bases. This conflict, known in South Africa as the "Border War," became a Cold War hotspot. The ANC, MPLA and SWAPO received Cuban and Soviet support, including troops. The South Africans worked with the *União Nacional para a Independência Total de Angola* ("National Union for the Total Independence of Angola" / UNITA) and the USA. UNITA was also aided (for a time) by mainland China, which was then at odds with the Soviets.

In 1974, Angola became independent of Portugal. In 1975, the MPLA established itself as the ruling party, setting up a Marxist-Leninist, one-party, Soviet-type system. This outcome was rejected by UNITA and South Africa, and a large part of the country remained outside the control of the MPLA. The Cold War entangled in a devastating civil war, centred on the MPLA versus UNITA. Unlike the MPLA, SWAPO was never able to hold territories, and it rarely won battles. However, it made significant political gains, including armed attacks on homeland leaders.

While the South African state bolstered South West Africa's homeland elites in an effort to turn the tide, it also began experimenting with local political settlement efforts. Some policy makers envisaged the colony becoming an independent but pliant buffer state, abandoning the idea of making the territory a fifth province. These experiments were part of a larger evolving strategy, according to which Pretoria would

seek friendly ties with neighbouring countries and de-escalate regional tensions. It had become embroiled in conflicts in Angola, as well as entangled in supporting armed rural resistance movements in white-ruled Rhodesia, which also faced an armed insurgency. This was led by the Zimbabwe African National Union (ZANU) and the Zimbabwe African People's Union (ZAPU), the latter having close links to the ANC and SWAPO. The Portuguese faced an insurgency in Mozambique from the *Frente de Libertação de Moçambique* ("Mozambique Liberation Front"/FRELIMO). FRELIMO took control of parts of the colony and allowed the ANC and ZANU to use these territories for raids in South Africa and Rhodesia, respectively. This continued after independence in 1974, when FRELIMO established a Soviet-style regime. This led first Rhodesia, and then South Africa, to fund the powerful counter-insurgent movement *Resistência Nacional Moçambicana* ("Mozambican National Resistance"/RENAMO).

The NP in South Africa decided that internal settlements with the moderate black African opposition in Rhodesia and South West Africa would be preferable to the revolutionary outcomes and civil wars seen in the former Portuguese territories. From 1974 to 1977, the South African state sponsored a constitutional conference at the Turnhalle building in Windhoek. It was tasked with developing a South West African constitution, and with setting up an interim government. Attended by homeland leaders, black African, Coloured, and white conservatives and moderates, as well as white government officials, it excluded SWAPO and other nationalists. The local NP was split off from the South African NP around this time, as the idea of incorporating South West Africa was dead in the water (O'Meara, 1996: 49).

The Turnhalle Constitutional Conference created a new constitution which was approved in a whites-only referendum in 1977, but never implemented. This was followed by the colony's first-ever non-racial elections in 1978, which were swept by a new, multi-racial, moderate coalition called the Democratic Turnhalle Alliance. The NP was thrashed, but SWAPO refused to recognise the elections, or the new government.

Meanwhile, the colony's ties to South Africa were steadily cut. Military reforms, for example, led to the launch of the South West African

Territorial Force in 1980. This was distinct from (but co-ordinated with) South Africa's armed forces, which remained in the colony. A multi-racial army, it included units from the Caprivi, Kavango, and Ovambo homelands, local whites, and other groups. The South West African Police (SWAPOL) was re-established in 1981, replacing South Africa's SAP.

However, the new government was not recognised by the UN, faced endless South African interference, and collapsed in 1983. South Africa again took full control and initiated yet another negotiating process, called the Multi-Party Conference. This, once again, aimed at an internal settlement without SWAPO. It led to another interim government, again dominated by the Democratic Turnhalle Alliance, and again rejected by the UN and SWAPO. In the meantime, the colony was becoming a serious economic drain and political liability, not least because of the costs of the Border War.

In December 1988, Angola, Cuba, and South Africa signed a Tripartite Accord. This ended the involvement of foreign troops in the Angolan war, and South Africa agreed to Namibian independence (Wallace, 2011: 299, 305). It followed a massive clash near Cuito Cuanavale earlier that year: the largest single land battle in Africa since the Second World War. The Angolan civil war had become a quagmire, and the Soviets as much as the South Africans were eager to get out. The civil war itself would continue long after they left, only ending in 2002.

4.4 State-Capital Hybrids in Independent Namibia

The ceasefire in South West Africa was followed by an 11-month transition period overseen by the UN. This was followed by open elections in late 1989. SWAPO won the elections resoundingly, with the Democratic Turnhalle Alliance a very distant second. SWAPO's long-standing leader, Sam Nujoma, was sworn in as President on 21 March 1990. The country, now called Namibia, was under an independent state.

Unlike the transitions in Rhodesia and South Africa, the elections were not preceded by lengthy negotiations between the existing regime and the opposition. It was, rather, an internationally negotiated decolonisation (Melber, 2014: 8). Nor had SWAPO won power through

force of arms, as had FRELIMO and the MPLA. Rather, it entered the state through parliamentary democracy in a multi-party system. While apartheid laws had largely been revoked in the transition period it was left to the constituent assembly of the newly elected, multi-party government to write and adopt a democratic constitution in early 1990.

SWAPO has won all elections since 1989 and consistently increased its vote share until 2019–2020, when it suffered reverses, but the democratic process remains an open multi-party system with few irregularities. This differs from the single-party systems set up in Angola and Mozambique in 1974, noted earlier, or Zimbabwe's rapid evolution towards dictatorship.

While Namibia had a comparatively high per capita income on the eve of independence –USD $1,200 in 1988 – this reflected the small population and mineral wealth rather than popular living standards (Jauch and Tjirera, 2016: 140). Two-thirds of the population were estimated to live in absolute poverty, with unemployment rife (Christiansen, 2011). The structure of the economy had a narrow industrial base and reliance on primary commodities at independence.

In 1989, mining and quarrying accounted for 31.6 percent of GDP, agriculture and fishing for 10.7 percent, the wholesale and retail trade for 12.7 percent, manufacturing for a derisory 4.7 percent, and construction for 2.2 percent (Labour Resource and Research Institute (LaRRl), 2001: 25). The services sector was, by some measures, 46 percent of GDP, and half of this was accounted for by the state (Hope, 2018: 185). The local business sector remained weak, reliant on parastatals' support, and entangled with large South African (and other foreign) firms (Hengari and Saunders, 2014). The Namibian dollar was pegged to the South African rand, which remained universally accepted as a currency.

For much of the pre-independence period, SWAPO described itself as committed to "scientific socialism" and a "socialist transformation" (e.g., South West Africa People's Organisation (SWAPO), 1981: 275). What this meant was always left rather vague, beyond admiration for the Soviet Union and its top-down one-party system. In any event, this interest in central planning and nationalisation faded ahead of Namibian independence (on 21 March 1990). SWAPO increasingly absorbed key elements of neo-liberalism in its economic programmes. Laws and

policies, such as the 1990 Foreign Investment Act, the 1995 Export Processing Zone Act, the 1994 Import and Export Control Act, and the 1998 Customs and Excise Act, were framed by the idea that the primary role of the state was to create a conducive environment for private investment, which was in turn assumed to lead inexorably to growth and jobs (Amupanda and Marenga, 2020: 2–3). It is also noteworthy that parastatals – apart from the state development finance institutions – were set up from the start as corporatised as well as commercialised entities. That is, they were registered, tax-paying corporations, mandated to make profits, but with the state as the shareholder.

Under SWAPO, the state sector remained central, including the provision of communications and infrastructure suitable for farming, fishing, and mining. There was a rapid process of restructuring and rebranding the inherited parastatals. In 1991, the National Petroleum Corporation of Namibia (NAMCOR) replaced SWAKOR; in 1992, Telkom's local assets were moved to Telecom Namibia Limited; and in 1996, SWAWEK became NamPower. The National Transport Corporation's railways were moved into TransNamib Holdings Limited, a state-owned national operator, and in 1991, NamibAir became Air Namibia. In 1994, the Namibian Ports Authority (NamPort) was established, taking over the former South African exclave of Walvis Bay that year and the Lüderitz port in 1995. In 1997, Namibia Water Corporation (NamWater) was registered. In 1998, government nature reserves and heritage sites were placed in Namibia Wildlife Resorts (see Kakujaha-Matundu, 2009: 55–56). In 2001, Swameat became Meat Corporation of Namibia (Meatco). These were all commercialised as were the National Housing Enterprise and Namibia Post Limited (NamPost).

Parastatals' ownership was vested in government ministries. For example, the Namibia Industrial Development Agency (NIDA) reported to the Ministry of Trade and Industry and was to be the engine of the "Growth at Home" agenda. The Ministry of Finance was responsible for all entities of a financial nature, such as the Small and Medium Enterprises (SME) Bank (see below), and extra-budgetary funds like the Road Fund Administration and the Motor Vehicle Accident Fund. Namport and TransNamib fell under the Ministry of Works, Transport and Communication (Kakujaha-Matundu, 2009: 54–56). NamWater

fell under the Ministry of Agriculture, Water and Forestry (Kakujaha-Matundu, 2009: 54–56), as did Meatco and the Agricultural Business Development Agency (AgriBusDev), which is discussed below.

Some of the parastatals, in turn, had subsidiaries. For example, TransNamib owned Air Namibia, while Meatco had three wholly-owned subsidiaries – one in Namibia, one in Britain, and one in South Africa – as well as a significant stake in international food group GPS in Ireland and Norway (Meat Corporation of Namibia (Meatco), 2016–2017: 9, 100–101). The Namibia Post and Telecommunications Holdings company holds NamPost and Telecom Namibia as well as shares in the mobile operator Mobile Telecommunications Limited (MTC – and see below).

It was relatively easy to privatise such parastatals partly or fully by selling shares, as they were distinct entities owned by government departments. However, the Namibian government has never seriously considered divestment. Even in the somewhat unusual case of Meatco, this is evident. This parastatal has some of the features of a farmers' co-operative in that all "Namibian livestock producers who sell at least one unit of livestock to Meatco every three years are entitled to membership in the Corporation" (Meat Corporation of Namibia (Meatco), 2016–2017: 9). Its Board includes representatives of "communal" (meaning small black African farmers in former homelands) farmers and "commercial" (meaning former Police Zone, large-scale, predominantly white) farmers (Meatco Annual Report 2016–2017: 14, 65). However, all shares are owned by the state, and the Board is appointed by the Minister (Meat Corporation of Namibia (Meatco), 2016–2017: 9, 14, 65).

The Namibian state has instead typically chosen to implement privatisation through contracting some parastatals' operations to the private sector (Kakujaha-Matundu, 2009: 57–59), or through joint ventures. For example, the country's leading cellular telephone company, Mobile Telecommunications Limited (MTC), was established as a joint venture between Namibia Post and Telecommunications Holdings and private investors, with the government owning 51 percent. Likewise, in 2002, NamWater awarded a contract to an international consortium for water reclamation operations at Goreangab dam (Kakujaha-Matundu, 2009: 57–59). Meatco uses "contract feeders and profit-share producers raise Meatco-owned cattle" (Meat Corporation of Namibia (Meatco),

2016–2017: 47). The AgriBusDev leases some of its land on its green scheme projects to small-scale farmers, who access loans from Agribank and the government, and also pay for power and water (Heita, 2022).

Maintaining control of the parastatals, their assets, and their budgets provides the post-colonial, SWAPO-linked political elite with significant economic clout. These are, by far, the largest economic units and means of production directly controlled by the country's emergent black African elite. It must be borne in mind that there was very little in the way of a black African or Coloured capitalist class in the colonial period. The SWAPO leadership was historically drawn from professionals, semi-professionals like teachers, and workers: Nujoma himself had worked as a migrant labourer in Windhoek and Cape Town. The barriers to entry in key parts of the inherited economy were very high, and the new state, as indicated, was averse to heavy-handed interventions.

Moreover, given the one-party dominant situation that has developed in Namibia, there is a partial fusion of party and state. SWAPO itself has an authoritarian culture. If it adopted elements of neo-liberal economics, its political culture remains cast in the militarised and vanguardist mould that was forged in exile and under the influence of the MPLA, the Cubans and Soviets. Criticisms and opposition tend to intensify the authoritarian tendencies within the ruling party (Jauch *et al.*, 2009; Jauch and Kaapama, 2011; Melber, 2009a, 2011, 2013a, 2014, 2015). Loyalty to Namibia itself is equated with loyalty to SWAPO and to the party's President, who is also the state President, in a political culture marked by resolute "presidentialism" (Good, 2005: 7–8).

The power of SWAPO is reinforced by its close relationship with the older black African elite of aristocrats, monarchs in the populous north, especially in SWAPO's Ovamboland stronghold. The homelands were reintegrated, and their self-governing status was revoked, but the old aristocracy and royalty that ruled these structures remain an integral part of the state. This elite controls almost 40 percent of the land through various so-called communal tenure systems and presides over courts based on customary law. While it is directly represented on a statutory Council of Traditional Leaders, its key influence is through the SWAPO *party*, and it is a major force in mobilising votes.

In this context, the parastatals are treated as the patrimony of SWAPO, and, especially, as resources to be used by its leadership. The land controlled by SWAPO-aligned chiefs is part of the resources that the party-state wields. These state resources are used for private accumulation by the well-connected (of which more below), as well as deployed in systems of patronage that reach down throughout the state and into parts of civil society. Rather than reduce the state sector, SWAPO has expanded employment and raised wages within it, and established a host of new parastatals. There were 20 parastatals listed in 1990, 52 in 2009 (Kakujaha-Matundu, 2009: 52), and 97 parastatals in 2017.

Thus, claims about SWAPO's commitment to neo-liberal fundamentals (see, for instance, Amupanda, 2017; Jauch and Tjirera, 2016; Simon, 2002; Winterfeldt, 2007) need to be qualified. Moreover, SWAPO is still very much a nationalist party and has actively sought to foster a more diversified economy, with an eye on pushing against ongoing dependence on South Africa. The Namibian government has committed to a strategy of economic diversification through subsidies, protecting strategically important industries, promoting value addition to locally produced raw materials, and modernising the financial and Information and Communication Technology (ICT) sectors.

From an early stage, the independent government has made efforts to industrialise the country. A National Planning Commission (NPC) was established in the early 1990s. It issued a series of National Development Plans from 1995, which set targets, including for state sector investment and parastatals. According to the NPC, the first plan "was formulated through broad-based participation both inside and outside Government", including "consultations" with "social partners (trade unions, NGOs and donors) and the private sector" (National Planning Commission, n.d.). It endorsed the commercialisation of parastatals, and the Cabinet argued that "areas and functions within the public service need to be commercialised, privatised or deregulated" (cited in Weylandt, 2016: 6). For example, the creation of Telecom, NamPost, and TransNamib reduced employment at the Ministry of Works, Transport and Communication by around 3,000 employees. However, the NPC

and the National Development Plans go well beyond these neo-liberal reforms, advocating state interventions to meet development targets.

In terms of state development finance, in 1993, the National Development Corporation of South West Africa was replaced by the Namibian Development Corporation, which became the NIDA in 2018. In 2004, the Development Bank of Namibia was set up, replacing the Development Fund of South West Africa. In 2011, AgriBusDev was established to foster irrigation-based farms called "green schemes," with 11 projects launched in 2013 adjacent to major rivers or dams (Heita, 2022). In 2012, the SME Bank was established in 2012 to assist smaller enterprises, with a government stake of 65 percent (Mbangu, 2019).

Namibia's Export Processing Zone (EPZ) project inaugurated in 1995 combined deregulation with special subsidies. It included, on the one hand, guarantees against expropriation, exemption from requirements for local shareholding, and unrestricted scope for the repatriation of capital and profits, all intended to attract FDI. On the other hand, it provided special subsidies to investors: a tax holiday, exemption from import duties, at-cost facilities, and the removal of the right to strike for five years (Labour Resource and Research Institute (LaRRI), 2000). The project has not been a success, creating nowhere near the projected figure of 25,000 jobs (Hope, 2018: 220; Labour Resource and Research Institute (LaRRI), 2000; Simon, 2002: 183), but indicates that the Namibian state has not, despite its neo-liberalism, shied away from interventions in markets. If anything, the project seems strikingly like the measures taken by the apartheid government in South Africa to attract investments to homelands and adjacent "border" areas from the 1960s (see earlier).

Another example is provided by beer production. In 1994, the Namibian government rejected an application by the gigantic South African Breweries to establish a large-scale brewery in the country. This helped protect Namibia Breweries (formerly South West African Breweries) by sparing it from more direct competition with the former Anglo-American Corporation subsidiary, now one of the world's largest breweries. Instead, Namibia Breweries managed to expand, and by 2011, Namibia was the fourteenth largest beer exporter globally. Most exports are destined for South Africa and other neighbouring countries

(Hope, 2018: 197). In 2015, Namibia Breweries signed a contract with the Ministry of Agriculture, Water and Forestry and AgriBusDev to source locally produced barley from the green schemes, with a ten-year Barley Industry Development Plan (Namibia Breweries Limited, 2017). This followed extensive investments in research and close co-operation between the beer company, the Ministry of Agriculture, Water and Forestry, and the University of Namibia (Shade, 2017: 1). The idea was to use the company's procurement to assist local farmers.

State interventions have also been successful in fostering the development of local pasta production. In the early 2000s, Namib Mills requested that the government provide protection through an import tariff, and this was imposed in 2002. South Africa's BOKOMO also started producing pasta in Namibia in 2008, and, at its request, infant industry protection for pasta was extended until the end of 2014. In under two decades, there was a shift from complete reliance on pasta imported from South Africa to Namib Mills accounting for almost 90 percent of pasta consumption (Hope, 2018: 195).

Cement production also commenced in Namibia through industry protection offered by the state. In 2010, Ohorongo Cement was established in Otavi by a German company. The cement industry was granted tariff protection in 2012. Although the protection is being challenged in court by a Chinese importer and is therefore not being enforced, South African firms have committed to an informal agreement not to compete in the Namibian market (Hope, 2018: 197).

Pharmaceutical manufacturer Fabupharm was founded in 1990. It is the only one in the country and was only made possible through extensive governmental support. The government awarded the tenders necessary to allow it to reach the required economies of scale and also provided support through an Industrial Upgrading and Modernisation Programme from 2014 (Hope, 2018: 196). This was a machinery purchase assistance scheme for firms launched in 2012. Additionally, fruit and vegetable production expanded following the implementation of the government's Horticulture Market Share Promotion scheme in 2004. This required all importers of fruit and vegetables to source a certain percentage of their produce within the country, rising from just three

percent in 2004 to 47 percent in 2023 (Namibian Agronomic Board, n.d.).

Also complicating the idea that post-independence government economic policies are simply reproducing "neo-liberal fundamentals" (Winterfeldt, 2007: 66) has been a commitment to "Namibianisation." According to the then President Nujoma, a noteworthy achievement of the independent state was the declaration that 200 nautical miles along the coastline were Exclusive Economic Zones for fishing activities (cited in Mandaza, 1994: 42). In addition to promoting conservation, the measure allowed the state to ensure that "Namibians must have at least 51 percent" of private operations "in the exploitation of fisheries" (Mandaza, 1994: 42). Joint ventures with Namibians, "ideally those Namibians from historically disadvantaged black African communities," also gave access to substantially better fishing quotas (Kleinfeld, 2019; also see Melber, 2003).

In late 1994, the Namibian government struck a deal, according to which the Consolidated Diamond Mines became Namdeb, ownership of which was split between the state and De Beers (Cooper, 2021: 118). Aspirations to establish a local diamond-cutting-and-polishing industry finally materialised in 1999, with the Diamond Act. It empowered the Minister of Mines and Energy to compel diamond miners to sell a proportion of their production to domestic cutting and polishing factories, whose companies' access to Namibia's high-quality diamonds then attracted international investors (Hope, 2018: 196). In 2007, the government also pushed De Beers to establish the Namibia Diamond Trading Company, a joint venture with the state.

The extent to which the independent Namibian state has succeeded in stimulating a more diverse, integrated, and higher value-added industrial sector has been a matter of debate. Critics initially argued that the entrenched pattern of South African domination, with an "underlying pattern established by market forces" rather than direct rule (Curry and Stoneman, 1993: 42), as well as the embrace of neo-liberalism, would simply reproduce a dependent situation. According to this line of argument, the country remains, essentially, an exporter of primary goods that it does not consume and a consumer of manufactured goods that it does not produce (Melber, 2014: 113).

The data does, in fact, indicate significant, if modest, changes. For example, Namib Mills has managed to secure around 60 percent of the Zambian pasta market and win an eight percent share of the (far larger) South African market (Hope, 2018: 195). By 2011, Namibia was the world's largest beer exporter outside of Europe and North America (Hope, 2018: 197). In 2015, Namibian producers supplied around 40 percent of domestic demand for fruit and vegetables, compared to only 5 percent in 2000 (Shade, 2017: 1). The value of cut and polished diamond exports more than doubled from 2015 to 2016, and their contribution to total exports of goods increased from 4 to 8 percent (Hope, 2018: 197 footnote 230). At independence, more than half of the country's GDP was generated by agriculture, mining, and government, but by 2014, these sectors accounted for less than 40 percent (Sherbourne, 2016: 22).

At the same time, however, the patterns established under German and South African rule continue to shape independent Namibia. While FDI increased from N$386 million in 1997 to N$785.4 million in 2000, this was offset by capital outflows, which increased from N$994.6 million to over N$2 billion during the same period (Labour Resource and Research Institute (LaRRl), 2001: 42). Moreover, FDI remains concentrated in traditional raw material exports, like minerals (Iyanda, 1998: 9). South African firms remain key players in the economy. For example, diamonds remain dominated by South Africa's De Beers: the giant firm successfully courted SWAPO politicians during the transition, lavishly rewarding politically connected families through business deals while contributing to state coffers via Namdeb (Cooper, 2021). BOKOMO, beneficiary of the pasta tariff, was a South African firm (until 2020 – as noted elsewhere). Growing Chinese investment has helped offset South African dominance, but, like South African investment, focuses on primary sector exports (Jauch and Sakaria, 2009; also, Melber, 2013b).

The 2016 Namibia Investment Promotion Act, which replaced the 1990 Foreign Investment Act (Government of the Republic of Namibia (GRN), 2016: 8), requires foreign investors to obtain approval from the Minister, which is contingent on the investor meeting nine set requirements, among which are "joint ventures with Namibians, skills transfers and the advancement of historically disadvantaged" people (Government of the Republic of Namibia (GRN), 2016: 8). The latter

requirement highlights inequalities *amongst* Namibians, primarily those of race, in line with the state's project of fostering a black African elite. It was also seen in the National Equitable Economic Empowerment Bill, tabled in 2016, which centred on pushing the private sector to become more representative. The primary objectives of the Bill were socio-economic transformation, economic empowerment of the black African majority, equitable income distribution, and more black African "participation" in the economy.

Since local black Africans always "participated" in the economy – and formed the majority of employees since the 1920s – the policy is revealed as, essentially, about the "participation" of the black African middle and upper classes. This will increase aggregate black African incomes but have no substantial effect on the incomes of most black Africans. This narrow focus was confirmed by the Bill's "pillars of economic empowerment: economic ownership, management control and employment equity, human resources and skills development, entrepreneurial development and marketing, corporate social responsibility; and value addition, technology and investment" (Government of the Republic of Namibia (GRN), 2015: 12–3). A key aim is to "achieve a substantial change in the racial composition of ownership and management structures" while guarding against "fronting practices" whereby white businesses use black frontmen (Government of the Republic of Namibia (GRN), 2015: 14). The Bill proposed, for instance, that all businesses established after its enactment have at least 25 percent ownership by historically disadvantaged persons, and that ownership by such persons may not be transferred to a white person or white-owned businesses. This was complemented by earlier affirmative action legislation, which did not set quotas.

SWAPO has, thus, combined neo-liberal economic policies that reassure investors, minimise political conflict, and prevent an exodus of skills (Simon, 2002: 172) with the use of the state to foster manufacturing, deliver patronage, and engineer class formation. Access to state resources – and, especially, to parastatals, joint ventures involving the state, and the state's licensing system, much of which is managed through parastatals – has been crucial resources in processes of class formation i.e., the creation of a *state-sponsored* black African elite in the *private* sector

through leveraging the state. A second site of this emergent elite are the parastatals themselves. These provide lucrative management positions, control over investments, and scope for patronage, as well as using tenders and regulations to benefit well connected people, in the state as well as the private sector.

SWAPO is, in short, at the heart of the powerful, centralised political elite that has consolidated in Namibia over the last three decades; this elite has proved successful in achieving political stability and decades of hegemony, including through patronage, in which parastatals form an important conduit. In this dominant-party system, SWAPO is master of the state sector and author of the evolving state-capitalism. It faces no serious political rivals, and SWAPO's version of liberation history – which presents the party as the sole liberation force and today's champion of the masses – is prevalent and dominant (see Melber, 2007b, 2009b, 2015). This "democratic authoritarianism" is facilitated by the state's central role in mass media, its distribution of state resources to allies, including the traditional elite in the populous north, and its expanded welfare system, which substitutes for a fundamental redistribution of power and wealth (Cooper, 2012: 193). As a leading political analyst observed, a key characteristic of the Namibian state is "a huge network of state institutions that can be used to accommodate allies, sometimes even foes" through "political patronage services" (cited in Hope, 2018: 202).

The key actors in the post-political colonial elite are the state President and around 30 leading party figures, buttressed by a "middle stratum of SWAPO politicians, senior civil servants, security chiefs and black empowerment entrepreneurs" (Cooper, 2012: 193). The "personal affluence" of these powerful people "is derived from privileged access to power and can be guaranteed only by the repeated reproduction of SWAPO rule" (Cooper, 2012: 193; also see Cooper, 2021). For example, many of "the children of Namibia's political leaders have joined the scramble for lucrative state concessions and contracts that have turned them into overnight millionaires" (Immanuel, 2014).

The so-called "Fishrot" scandal, which broke in 2019, is revealing. Essentially, a large Icelandic fishing company bribed high-level officials

to secure trawling rights and bypass regulations prioritising Namibian-owned firms (Kleinfeld, 2019). Key government officials implicated included the Minister of Fisheries and Marine Resources, the Minister of Justice, and the chair of the Fishcor parastatal, which manages fishing quotas. However, Fishrot was a scandal precisely because such outright corruption is rarely revealed. As a result, the SWAPO brand has also not been damaged by the endless corruption sagas that have shaken the credibility of South Africa's ANC. A more serious problem, however, that the Fishrot scandal revealed was a decline in the capacity of the state to develop and implement policies, and a growing problem in parastatals' governance. The independent Namibian state has performed and fared increasingly poorly. Existing policies fizzle out over time, and ambitious programmes are often stillborn. Most parastatals have been characterised by mismanagement, deficient performance, and corruption (Sherbourne, 2016: 417).

As early as 2000, the Cabinet tasked an external firm to compile a report on the governance of parastatals, including state finance institutions. It found several "worrying trends": government was spending too much on parastatals that were increasingly unproductive yet charged excessive prices and paid too little tax (Weylandt, 2016: 6). The report also noted that governance was hampered by undue political interference, and that oversight was not carried out consistently. It proposed a special Central Governance Agency be established in the Ministry of Finance, which would be responsible for monitoring parastatals' performance whilst being overseen by a State-Owned Enterprise Governance Council at cabinet level.

The commercialised parastatals, rather than generating money for the state, proved to be an enormous drain on the fiscus. Financially, the best performing parastatals were those with effective monopolies in essential services: NamPower had an after-tax profit of N$1.2 billion in 2017/18 and Telecom Namibia a N$244 million profit in 2016/17; and MTC, a joint venture, produced a profit of N$711 million. Most of Namibia's parastatals, however, do not make a profit. A total of N$4.5 billion in budget subsidies has gone to 11 commercialised parastatals in the last five years (Sherbourne, 2016), covering operational costs, including large wage bills and growing debts (Xinhua, 2018).

By the mid-2010s, the government had spent hundreds of millions on TransNamib and billions on Air Namibia, with no end in sight (Brown, 2017: 10). In the 2014/15 Budget, support for parastatals amounted to N$9.5 billion, while in the 2015–2018 mid-term budget, N$1.93 billion was set aside to bail out Air Namibia, and N$1 billion to bail out TransNamib with a further figure of almost N$5 billion allocated to the railroad system (Jauch and Tjirera, 2016: 179).

Despite this aid, several large parastatals have collapsed. In 2017, the central Bank of Namibia had to take over the reins at the SME Bank when it collapsed (Hope, 2018: 183). Documents filed in the High Court revealed that "close to N$350 million was stolen from the Bank through dubious transfers and investments" (Mbangu, 2019). For much of its existence, the SME Bank failed to adhere to basic banking rules, provide audited financial statements, or hold a legally required minimum deposit with the central bank. This situation was enabled by the failure of the central bank to exercise proper oversight, follow its own regulations and the law, and act when problems were reported (Mbangu, 2019). By 2020, Air Namibia was clearly insolvent and was liquidated by the High Court of Namibia early the following year. The Institute of Public Policy Research argued that this was "perhaps the single most painful economic decision the government has had to make since Independence" (cited in Booysen, 2021).

Limited state capacity is partly rooted in the calibre of the bureaucracy, which is, in turn, linked to SWAPO's patronage system. Numerous posts are occupied by people employed based on political loyalty and ethnic affinity – rather than competence and performance – in line with SWAPO's patronage system (Booysen, 2021). The problems in the parastatals also pointed to a broader lack of coordination and forward-planning in the state, well beyond the issues of poor governance in individual departments and parastatals. For example, the deteriorating debt-to-GDP ratio by the late 2010s – driven by ballooning state spending, as well as the impacts of the global financial crisis of 2008 onwards – led to cuts in government spending that undermined a range of developmental initiatives. The Growth at Home programme, for instance, committed the government to improving incentives offered

to manufacturing firms (Ministry of Trade and Industry (MTI), 2015: 18), but these were effectively nullified by the cuts.

The budget for the Industrial Upgrading and Modernisation Programme was slashed from N$10 million to N$1.6 million in 2017, although the state had committed to expanding it to support 80 enterprises by 2020 (Hope, 2018: 178). By 2019, the green scheme projects for local grain production were in serious trouble. Smaller farmers were hammered by steep rises in government fees for power, transport, and water; relations between government and local investors were often poor; many schemes were underfunded, "leading to the projects screeching to a halt"; and AgriBusDev ignored "piles of letters" from farmers (Heita, 2022). Significantly, the monies remaining in the Industrial Upgrading and Modernisation Programme after the cuts were enough to cover ongoing staff costs (Hope, 2018: 178). The priorities revealed are significant: the programme's role in industrialisation had been wrecked, but the SWAPO party-state used what remained as an ongoing source of patronage. Similarly, faced with budget cuts, AgriBusDev seems to have raised existing levies on green schemes farmers added new ones while reducing services (Heita, 2022). This would help save jobs for its employees, while many projects collapsed.

The notion that SWAPO is, basically, all about "neo-liberal fundamentals" is also challenged by the fact that budget cuts have not affected the *overall* growth in state spending and, especially, the growth in the number of, as well as the wage bill for, state sector jobs. Despite the poor performance of the state and its parastatals, in terms of development and governance, the number of people employed in the state sector has grown inexorably since independence: in 2016, almost a quarter of people in waged employment worked in the state, one of the highest rates in the world (Namibia Statistics Agency (NSA), 2017), with government expenditure as a percentage of GDP generally between 22–26 percent, among the highest in sub-Saharan Africa.

As Hope (2018: 206) points out, it is "hard to overstate how large an overt role the state plays" in Namibia's economy and society. Despite the gutting of industrialisation plans, for example, the Namibian government spent N$29 billion on salaries and benefits for its public service in 2021 (Booysen, 2021). Analysts have bemoaned the endless bailouts

of parastatals and salary bills that absorbed more than 40 percent of the Budget (Bertelsmann Stiftung (BTI), 2022: 20, 27) and accounted for almost 17 percent of GDP in the 2021/22 Budget (Booysen, 2021). In 2021, Moody's rating agency identified the "large, but politically challenging, public sector wage bill" as a critical threat to the country's credit profile (cited in Booysen, 2021).

These trends, coupled with the ongoing appointment of people based on affinity and loyalty rather than competence, are consistent with the political logic of the SWAPO party-state but are inconsistent with its economic aspirations and dreams of state-backed industrialisation. Thus, the Namibian state has repeatedly committed itself to ambitious initiatives that it is unable to implement. Growth at Home itself was faltering within five years of its launch. In addition to problems already noted, the 2015 Public Procurement Act failed to reform the procurement system, local commentators noting that while the Act was "supposed to be a turning point in public procurement governance, by mid-2018 all the evidence pointed to a system still in deep crisis" (cited in Hope, 2018: 183–4). The Ministry itself had not even been able to issue its Sector Growth Strategy documents nearly five years after Growth at Home began; many of its other proposals were also dead letters (Hope, 2018: 218).

The NIDA, intended to be a "core element" of the government's industrial development strategy, designed to "drive the economic transformation process" (Ministry of Trade and Industry (MTI), 2015: 49), has proved ineffective. The government's trade board is meant "to oversee the implementation of infant industry protection and anti-dumping measures" (Ministry of Trade and Industry (MTI), 2013: 56). Despite the early successes with protective tariffs noted earlier, there was no indication from the government that further protectionist measures would be deployed (Hope, 2018: 181).

The problems, as noted, preceded the late 2010s budget cuts and reflected numerous problems besides finances. The Ministry of Industrialisation, Trade, and SME Development itself concluded that its progress from 2013 to 2017 was hampered by, among others, inefficiencies in implementation and inter-ministerial project coordination, a

lack of necessary technical and managerial capacity, a failure to properly implement performance management systems, insufficient research and evidence-based decision-making, outdated laws and regulations, inadequate consultations with stakeholders, inordinate amounts of time to develop bills and policies, high labour turn-over in critical posts, poor working conditions, and a lack of personnel with the appropriate skill sets (Ministry of Industrialisation, Trade and SME Development (MITSMED), 2017: 15–7, 22).

The problem of poor inter-ministerial project coordination that the Ministry pointed to went well beyond that faced by Growth at Home. The Ministry of Industrialisation, Trade, and SME Development, the NPC, and SWAPO party congresses and leaders, persist in proliferating sweeping economic plans. Alongside Growth at Home, there are, for example, the Namibia Development Plans, each running for five years, issued by the NPC since 1995; the NPC also issued an extremely ambitious Vision 2030 document in 2004. It claimed that all Namibians' quality of life could be raised to First World levels by 2030 through a diversified, industrialised, research-intensive economy (Jauch and Tjirera, 2016: 172). This would be based on a dynamic state sector and effective parastatals and involve "partnerships" between and within government, "communities," civil society, the private sector, and the international community.

In 2015, Hage Geingob became state President, but the keen interest in industrialisation that he had shown as Minister of Trade and Industry led to further complications. His government launched its own national development plans, the Harambee Prosperity Plan I for 2016 to 2020, and the Harambee Prosperity Plan II for 2021–2025, launched during his State of the Nation addresses. These sprawling programmes set out large numbers of very expansive economic, political and social goals and are, if anything, even more ambitious than the other plans (e.g., Government of the Republic of Namibia (GRN), 2021).

There is no overall structure in charge of the different plans and no system to ensure coherence and set priorities. The plans also differ significantly in terms of deadlines, foci, and lines of reporting. The NPC simply lacks the powers and capacity to coordinate economic policy (Jauch and Tjirera, 2016: 182) and operates in parallel with the Ministry

of Industrialisation, Trade, and SME Development.[3] The national government's entry into economic planning with the Harambee Prosperity Plans has introduced a third player. The problem of fragmentation was also shown by the budget cuts in the late 2010s when the Ministry of Finance wielded the axe against development bodies while protecting unproductive state spending and a vast wage bill.

Similarly, many parastatals were accountable to different Ministers, with their own programmes and objectives, who appointed directors and routinely got involved in management processes. After he was elected President, Geingob tried to address the problem through the establishment of a Ministry for Public Enterprises, and the new Minister, Leon Jooste, proposed a new model in mid-2016. The Ministry would exercise oversight, including appointing boards, enforcing performance agreements, reviewing business and financial plans, approving budgets, and issuing directives on remuneration. It would also be the shareholder in commercialised parastatals (see Weylandt, 2016). The Public Enterprises Governance Act was amended in 2018 to give effect to these measures, and established a Corporate Advisory Reform Unit, which includes four governance experts, to assist the Minister. This essentially revived proposals from 2000, but as yet, there is little sign of the new system resolving the problems.

In short, the new state-backed elite, built around the SWAPO party-state, has a large social weight, but it is not a productive, dynamic national bourgeoisie that drives structural transformation. It is based on access to power, is extractive and rent-seeking, "expends its energy on exploiting the public purse" (Melber, 2007a: 124), and undermines the capacity of the state to carry out basic functions, let alone industrialise the country. It also benefits from weak oversight, vague and inconsistent development planning, and stalling substantive reforms. This has also contributed to a deteriorating relationship with local business, large sections of which would prefer a more orthodox neo-liberal programme. For example, the editor of the online magazine, the *Namibia Economist*, noted:

[3]The SWAPO government has renamed and restructured the Ministry of Trade and Industry several times.

> Fundamentally, there is only one overarching economic problem and that is, the government has gradually crowded out the private sector … For all practical considerations, the economy is the government (mostly) and the government is the economy (overwhelmingly) … it became government policy to turn itself into an active economic player … There is fundamentally very little wrong with the Namibian economy, except the government's participation rate (Steinmann, 2017).

With SWAPO firmly entrenched in office and civil society and working-class movements weak, the political elite faces little pressure to amend its ways. Since the late 2010s, the Namibian government has floated proposals for increased commercialisation and privatisation but has shown little appetite to act. The amended Public Enterprises Governance Act allows the Minister of Public Enterprises to declare any parastatals a "public enterprise" that will be required to make a "sustained profit" (Xinhua, 2018). The Finance Minister mooted listing parastatals – including the MTC, Nampost and Telecom Namibia – on the Namibian Stock Exchange (NSX) to boost their performance and contribute to public revenues. Likewise, AgriBusDev has mooted some sales of green scheme projects (Heita, 2022).

As elsewhere in the region, economic development, including consistent, if moderate, economic growth rates, has not reduced inequality, and poverty and unemployment remain widespread (Bertelsmann Stiftung (BTI), 2022: 15). Black African empowerment deals in Namibia, like those in South Africa, have overwhelmingly benefitted a small group with business and/or political connections (Jauch and Tjirera, 2016: 169). It changes the composition of small elites but does not and cannot redistribute wealth and power to the broad working-class or peasantry. Economic empowerment legislation and measures were presented as guarding against "favouritism, nepotism and self-enrichment" (Government of the Republic of Namibia (GRN), 2015: 14), but these are, in practice, engrained in the system. SWAPO's complicity is well documented (e.g., Amupanda, 2016; Coetzee, 2021; Melber, 2011, 2013a; Namibia Institute for Democracy (NID), 2005). Government figures

with "struggle credentials" and political connections use public procurement and economic empowerment to secure personal wealth (Melber, 2007a: 124).

Namibia's macro-economic achievements are not matched by social progress (Jauch and Tjirera, 2016: 165), with the primary beneficiaries of post-independence economic returns being the business and political elites and the growing black African middle class (Amupanda, 2016: 67; Melber, 2007a). State power remains as crucial to the formation of post-colonial elites as ever, now tailored for the neo-liberal era, and, as Henning Melber (2011, 2014) argues, the "new elites" have reproduced many colonial-era inequalities: "the state's policy direction ... is not showing any convincing signs that it is about redistribution of relative wealth, or tackling chronic poverty," but centres on "self-enrichment within a given and unchallenged system of crude capitalism and class" (Melber, 2014: 148–9). Socio-economic redress and economic diversification in Namibia have been certainly constrained by the nature of the transition process, and the compromises it involved (Dobell, 1998: 104; Winterfeldt, 2007: 66). However, it is clear that SWAPO's own policies and practices – including the coupling of its neo-liberal approach to parastatals with patronage, corruption and maladministration – has also been a major factor in these outcomes.

5

State and Capital in Zimbabwe

This section traces the historical rhythms of state capitalist initiatives in Zimbabwe (formerly Rhodesia, before that, Southern Rhodesia) from the colonial period to the present. We start off by discussing Zimbabwe's colonial period, dating back to the rulership by the British South Africa Company at the turn of the twentieth century, though the era of (white) self-government, and then from independence om 1980.

5.1 The Colonial Period: From British South Africa Company Rule to White Self-Government

As noted previously, colonial Southern Rhodesia had its roots in Cecil John Rhodes' charter company, the British South Africa Company which from 1890 occupied a large area of land north of South Africa. The Company's rule involved militarised forms of primitive accumulation, with the company embodying a state capitalism in which capital accumulation and state domination were fused in a single organisation. This, then, was a distinctive form of state-capitalism, wherein a private corporation administered laws, territory and a military, and had predatory features

It was the British South Africa Company which established the Rhodesia Railways, which connected Bulawayo – formerly the capital of the Matabele king, Lobengula – to South Africa in 1897. From there, the line reached Salisbury (now Harare) in 1902, and from Salisbury it reached the port of Beira in northern Mozambique in 1905. By 1906, the railway grid reached Broken Hill (now Kabwe) in the central region of Northern Rhodesia (now Zambia), which later became the headquarters of the Rhodesian Railways.

Commercial gold mining soon began in Southern Rhodesia, but it became clear that deposits were modest and scattered, and ore of a low quality. In 1910, the profits of the ten leading gold mines were less than a tenth of those of the eleven leading Johannesburg mines (Arrighi, 1967: 19). There would be no second Witwatersrand. Partly for this reason, the British South Africa Company supplemented the income derived from its control over gold mining with revenue from the opening of mining to other investors, as well as the railways and land.

Smaller mines were leased to owner-operators in Southern Rhodesia on a royalties' basis, and large investors were allowed into asbestos, chrome, and coal mining. Collieries were essential to the mines and railways and were profitable. The Company owned substantial shares in the Wankie (Rhodesia) Company that operated the key collieries and was represented on this company's Board of Directors, another cog in a developing and "interlocking world" of mining boards and directorships. This system helped integrate the British South Africa Company, De Beers, Werhner, and Beit and Co., and their various subsidiaries like Rand Mines and the Rhodesia Railways. Not only was the Company part-owner of the Wankie collieries, but it also received royalties through the leases on which the mines operated and, as the largest customer, purchased much of the coal for its own mines and the railways (Phimister, 1994: 4, 8, 16).

Land leases and sales were another important source of income, and the British South Africa Company came to consider commercial farming by newly settled white farmers and other companies as pillars of the colony's future economy. Although the white commercial farmers were an important and powerful group, most whites were workers, traders, or small employers, and concentrated in urban areas. Bulawayo in the south

and relatively near the Limpopo River, became the colony's economic and industrial hub, connected directly to the Witwatersrand by rail. Salisbury (now Harare), in the central area, was the capital, and was connected to the Indian Ocean through the line to Beira in Mozambique. This made the colony independent of South Africa's railway running from the Witwatersrand to Delagoa Bay (now Maputo) in Mozambique, about 1,200 kilometres to the south of Beira. The Rhodesia Railway grid also gave Southern Rhodesia control over access to Northern Rhodesia and Nyasaland (now Malawi).

A growing degree of decision-making was also delegated locally by the British South Africa Company . The Company-appointed administrator became part of a Legislative Council in 1899. Although this was dominated by Company shareholders, it included a minority of elected seats based on a qualified manhood franchise. In 1920, the franchise was extended to women, on the same terms, and elected seats became a majority on the Council. The franchise was non-racial but operated in such a way that whites were the overwhelming majority of voters.

As in South Africa and South West Africa, too, black African chiefs and royalty were incorporated into the colonial administration, ruling over "Native reserves" that provided migrant labour. As in those territories, this meant that black Africans living in these areas were governed through traditional laws within the framework of a racist state, and so, were excluded from the citizenship available to whites. Pressure mounted on black African farming systems in these areas, through land losses, taxation, discriminatory pricing on produce, and efforts to restrict produce sales. Meanwhile, a substantial part of the black African population lived on the large farms allocated to whites. However, there was growing pressure to shut down sharecropping arrangements on these farms, in favour of labour tenancy and wage labour. In 1900, about 70 percent of rural black African cash earnings came from produce sales: by 1932, the figure had dropped to 20 percent (Malaba, 1980: 9–10). While the restrictions on black African farming increased the labour supply, they were equally important in protecting white commercial farmers from black African competitors.

The real challenge, though, was to prevent the growing local black African labour force from moving to better paid jobs in South Africa.

A system of Native Labour Bureaus, and a Rhodesia Native Labour Board, were established to channel labour locally and prevent its flow elsewhere (Van der Walt, 2007: 227). These relied on white officials and black African chiefs in the reserves, and they often engaged in coercive recruitment, including recruitment from neighbouring British and Portuguese territories, and sometimes competed with South Africa's labour bureaus. The Masters and Servants Act was put in place in 1901 and criminalised desertion, strikes and other contract violations. It was applied to large categories of black African employees, and amounted to indenture, and was supplemented by a rudimentary system of pass laws. Extensive use was made of indentured, sometimes impressed, labour, sometimes called *chibaro*, mainly on farms and mines.

At the Wankie collieries, one of the largest employers in Southern Rhodesia, 62 percent of the black African workforce was from Northern Rhodesia, 15 percent from Angola, Tanganyika (now Tanzania) and other central African countries, and 7 percent from Nyasaland (now Malawi): just 12 percent were Southern Rhodesians (Phimister, 1994: 132). In urban areas, foreign black Africans were around 60 percent of the black African workforce, as well as of the urban black African population. They were mainly from Nyasaland and Mozambique, with Northern Rhodesians a distant third (Daimon, 2018: 7). Even with restrictive measures in place, many migrant workers, local as well as foreign, tended to use jobs in Southern Rhodesia as stepping-stones to employment in South Africa, leaving employers with problems of high and rapid labour turnover.

Clearly, much of the colonial social structure of Southern Rhodesia was in place when the British South Africa Company's charter expired in 1922. At that time, the white electorate was faced with the option of joining South Africa as a fifth province, something which many British officials had long favoured (Di Perna, 1978: 34–65). Rising local white national sentiment, directed against the widely resented charter company as well as South Africa, saw many vote in 1922 "with their hearts, not their heads," preferring self-government with a "British identity" to merger with South Africa (Smith, 2008: 3–4).

Southern Rhodesia's whites won Responsible Government under the British Empire in 1923. A nominally non-racial franchise was put

in place while, in practice, it excluded almost all black Africans. In the Reserve areas, later called Tribal Trust Lands, and, after 1980, communal areas, which made up almost half the country, indirect rule through African nobles was more firmly set in place.

Responsible Government enabled "greater national control over legislative power," and "an institutional framework" that favoured a range of local white interests (Arrighi, 1967: 30–31). Britain could intervene directly, but the Southern Rhodesian state had a considerable degree of autonomy. With the end of Company rule, the fusion of state and capital ended, while the newfound autonomy of the state opened the door for the development of new parastatals. For example, the state could move to tighten up pre-existing controls over land and labour in the interests of employers in the country. The 1931 Maize Control Act introduced, for example, discriminatory pricing, undermining black African farming competition even further.

Like the Land Act in South Africa, the 1931 Land Apportionment Act officially set aside reserves (later called Tribal Trust Lands) with "communal" tenure controlled by the black African aristocracy for the state. It also included provisions to more systematically end sharecropping in favour of labour tenancy or wage labour. In both Southern Rhodesia and South Africa, the dispossession and segregation of land preceded the legislation that codified it, but the legislation intensified the negative impact on black African farming. There were also some notable differences. The Land Apportionment Act set out Native Purchase Areas where black Africans could purchase land on individual title, unlike the Land Act. It allocated 51 percent of land in Southern Rhodesia for exclusive white occupation, while South Africa allocated 87 percent. One effect was that, while independent black African farming, subsistence and otherwise, entered a steep, apparently irreversible decline in South Africa, a significant number of black Africans in Southern Rhodesia continued to survive through cash cropping, and, in some cases, expand their assets through land purchases.

The white population of Southern Rhodesia grew steadily, rising from 12,596 in 1904 to 33,620 in 1921 to 49,910 in 1931 (Mlambo, 1998: 126 Table 1). It doubled again in the decade following the Second World War. It was substantially smaller than that in South Africa,

and absolutely and proportionately larger than that of South West Africa. Immigration, including of white workers from Britain and South Africa, was key to this growth. While this meant that a much higher percentage of the white population was foreign-born than in the case of South Africa or South West Africa, the rising local white national sentiment demonstrated in 1922 helped to forge, if only partially, a national identity.

Even the Afrikaners in Southern Rhodesia – a distinct minority among its whites – tended to see their future as tied to that territory after the granting of Responsible Government rather than to Afrikaners elsewhere (e.g., Olivier, 1946: 306; also see Hendrich, 2010: Chapter 5). This was rather different to South West Africa, whereas we have seen there was a direct connection through the National Party and parliament to South African rule. Loyalty to the self-governing Rhodesian state and its projects was repeatedly affirmed, including by Afrikaner *volkskongrese* (literally, "congresses of the people"). Whether this entailed integration into a common white Rhodesian nation, or ongoing identification with other Afrikaners remained unresolved (Visser, 1964: 36–37). Within the white population overall, substantial groups favoured greater economic independence – especially from South Africa.

The early state capitalism of the British South Africa Company was replaced by extensive state investment in white-owned commercial agriculture, and, from the 1930s, by a move into ISI. The government started to systematically regulate trade, invest in and expand infrastructure, and establish parastatals that could facilitate this process. The Reform Party's victory in 1933, and the formation of the United Party in 1934, were important in the shift towards inward industrialisation (Phimister, 1988). The United Party and Prime Minister Godfrey Huggins would remain in power for two decades, and this marked a new era.

Southern Rhodesian ISI, which fostered a racial capitalism, included forming a large number of monopolistic marketing boards for agricultural commodities like cotton and sugar, which enabled price controls. This allowed for the subsidisation of white farmers and penalisation of black African farmers by paying differential, non-market rates. Also prominent was the establishment of parastatals from the 1930s, among which were: Cold Storage Commission (1938), the Electrical Supply

Commission (1938) which relied on local coal, the Industrial Development Corporation (1942, from 1948 expanding into a Ministry of Trade and Industrial Development), the Rhodesian Iron and Steel Commission (RISCOM) in 1942, the Sugar Industry Board (1944) and the Rhodesia Broadcasting Corporation (1963) (Phimister and Gwande, 2017: 87–89). In 1947, Rhodesia Railways, initially formed by the British South Africa Company, was bought out by the government, which then invested heavily in upgrading the grid and greatly increasing the available rolling stock, with an eye on boosting exports (Phimister, 1994: 100).

Although these state enterprises and boards played vital roles in the economy, very few of them were profit-orientated – as typical of the parastatals associated with ISI, they were intended to foster the development of private industry (Bratton, 2014; Dorman, 2016; Shumba, 2018; Simpson and Hawkins, 2018). Southern Rhodesia's parastatals shared with their South African counterparts a mandate to assist local industrialisation and they contributed to the significant expansion of the manufacturing sector from the 1930s and into the 1970s. The number of manufacturing firms grew from 299 in 1938 to 681 in 1951, and the size of firms also grew markedly. While the Southern Rhodesian parastatals were considerably smaller than South Africa's, they were still very important. For example, the RISCOM steelworks at Que Que was the hub of the local iron, steel, and metals industry, the second largest industrial sector in the country by 1951 in comprising around 120 companies (Phimister and Gwande, 2017: 89, 111).

ISI was directly facilitated by tariffs, with a Tariff Advisory Committee (TAC) set up in 1947 to consider requests for protection, followed by the 1948 Customs Agreement with South Africa (see below), which provided some protection from South African goods, and some access to South African markets. The centrality of the state was due, in part, to Southern Rhodesia's own private industrial investors being quite small. There were no equivalents of behemoths like South Africa's Anglo-American Corporation. Almost all significant private companies in manufacturing fell under or were linked to South African or British corporations, with manufacturing developing "an oligopolistic structure of production" centred on "foreign and state capital" (Phimister and Gwande, 2017: 95).

Importantly, the Southern Rhodesian government "never envisaged more than limited support for a restricted range of secondary industries" (Phimister, 1991: 441). More extensive protection would, it feared, drive up costs in farming and mining, threatening the primary exports on which the country rested. In 1948, a Customs Agreement was negotiated with South Africa, ending the earlier arrangement whereby South African manufactured goods had preferential access and exports of Southern Rhodesian cattle and tobacco were restricted by quotas. Southern Rhodesia was empowered to apply import levies to many South African goods, and, in return, its products were largely exempted from South African import controls.

However, the Agreement confined protection to light consumer goods, such as furniture and paint. While it did lead to a boom in exports to South Africa, this consisted mainly of primary products, supplemented by a narrow band of consumer goods, like clothes and small radios. Most Southern Rhodesian markets were left open to the larger and more efficient South African producers, which contributed to South African imports growing far more rapidly than Southern Rhodesian exports. South Africa continued to take measures against Southern Rhodesian goods considered competitive. In the early 1950s, the South African government also started to unliterally impose tariffs on Southern Rhodesian clothing and textiles.

A major problem for Southern Rhodesian manufacturing was that its home markets were small, and it had almost no access to Western markets, outside of tobacco products. Its economy rested on cheap labour, with low average productivity, and so boosting local demand through substantially improved local wages was not economically, nor was it politically, feasible. Expansion required access to neighbouring countries. This consideration was a major factor in Southern Rhodesia trade deals with South Africa, which had by far the largest markets in sub-Saharan Africa. Northern Rhodesia and Nyasaland markets were also of some significance.

5.2 The Federation Years and UDI

This issue was a factor in the Huggins government pursuing closer ties with its two northern colonies, culminating in the founding of a short-lived self-governing Central African Federation in 1953, consisting of the two Rhodesias and Nyasaland. The Federation was dominated by Southern Rhodesia, which had the largest white population, the most sophisticated state, the longest history of self-government, and the most diversified economy.

The Federation was envisaged, in part, as a counterbalance to South Africa, and it had other advantages for Southern Rhodesia. There was barely any secondary industry in the other two territories. For example, the "lion's share" of manufactured imports for Northern Rhodesia's copper mines, and of consumer goods for its mining towns, came from South Africa and Southern Rhodesia (Larmer, 2017: 178). As well, Federation unlocked large revenue streams for the Southern Rhodesian-dominated federalist state. Key mining firms moved their offices to Salisbury, and the Salisbury-based Federal government – with Huggins now Federal Prime Minister – also gained control of the taxes from the copper mines. The only notable parastatal established by the Federal government was the Federal Broadcasting Corporation of Rhodesia and Nyasaland (FBC), formed in 1958 and headquartered in Salisbury (Powell, 1974).

The Federal government, like its Rhodesian predecessors, showed little ideological commitment to state ownership. This was rather different to its counterpart in South Africa, especially the Afrikaner nationalists, who viewed parastatals as an essential bulwark against foreign influence. The Sugar Industry Board was privatised in 1954, and RISCOM's production facilities were moved into the partially privatised Rhodesian Iron and Steel Company (RISCO) in 1957. The state retained just over 10 percent of RISCO's shares, and the largest private investors were the South Africans, notably the Anglo-American Corporation, followed by British firms (Tambo, 2017). RISCOM's distribution side was hived off into the Rhodesian Steel Sales Corporation (Rhosales), which was co-owned by the Southern Rhodesian government and a South African parastatal, the industrial giant ISCOR.

Federation led to a significant increase in foreign investment. Some was intended to take advantage of the growing consumer goods market resulting from increased immigration, by getting behind the tariff walls created by the 1948 Agreement. Southern Rhodesia's white population had more than doubled from 1946 to 1960. Other investments were driven by an expansion in mining. The Anglo-American Corporation bought up new coal fields at Lubimbi in 1952 and took over and modernised the Wankie collieries in 1954, partly to better supply its Copperbelt mines. Some South African firms used investments in Southern Rhodesia to bypass South African trade controls, assembling or otherwise processing British or Indian goods locally, so they could appear to be "Made in Rhodesia" for duty-free export to South Africa (Phimister, 1991: 438–439).

There was an astounding 27-fold expansion of gross manufacturing output from 1939 to 1962 (calculated from Phimister and Gwande, 2017: 93, Table 2), including the boom years of the Federation. Politically, though, the Federation was a failure. It expanded the Southern Rhodesian qualified franchise to the other territories and lowered the bar for voting, but there was a growing cycle of protests and repression in the three countries of the Federation. It was formally dissolved in 1963, and Northern Rhodesia and Nyasaland become independent Zambia and Malawi respectively, in 1964. The British South Africa handed over its mineral rights to the government of Zambia that year, essentially ending its long presence in the country.

Britain, meanwhile, refused to grant Southern Rhodesia independence without majority rule, following which Ian Smith's new Rhodesian Front government – first elected in 1962 – issued a Unilateral Declaration of Independence (UDI) in November 1965. The country was now simply called Rhodesia, and, from 1970, the Republic of Rhodesia. UDI had been generally opposed by the private sector, fearing the economic consequences. The embargoes and sanctions imposed by the United Nations that followed the UDI were a major challenge. So too was a slow but steady exodus of whites from 1961, which reduced tax revenues and the skills base (Msindo, 2009). White emigration started to exceed white immigration, and white immigration from Europe was increasingly replaced by white immigration from within Africa, as whites left countries

like Kenya after independence. It was during these years, in the early 1960s, that two key black African nationalist groups arose in (Southern) Rhodesia. These were the Zimbabwe African National Union (ZANU) and the Zimbabwe African People's Union (ZAPU); ZAPU had close links with South Africa's ANC, and South West Africa's SWAPO. Both ZANU and ZAPU set up armed wings, and a serious rural insurgency was underway by the early 1970s.

The isolation following UDI led to an intensification of ISI, as a siege economy developed. Stringent new capital and exchange controls trapped investment funds in the country, and this contributed to the rapid local expansion of manufactured product ranges and volumes. The state launched a few major industrial and development projects: a coal-fired power plant at Wankie, and hydro-electric works at Cabora Basa in Portuguese-ruled Mozambique. The manufacturing sector continued to follow the established pattern: an oligopolistic structure, centred on large state and foreign private investments, mostly British and South African, which then worked with small, local companies. Efforts were made to reconcile with the Afrikaner nationalists in South Africa, and Afrikaners were also prominent in the Rhodesian Front government. The Rhodesian Front government sought to re-envisage (Southern) "Rhodesian" nationhood as separate from the old British connection (Boender, 2023) and the defunct Federation.

Whether the economy was becoming more "Rhodesianised" through these developments is a matter of some dispute. Surveying the debate, Phimister and Gwande (2017: 101–103) emphasise the central role of foreign, especially British investment, and the weakness of Rhodesian industrialists. This may be true but provides only a partial picture. It is essential to factor in the role of the Rhodesian state itself as an investor, whose parastatals were the most crucial among Rhodesian-based actors in the economy. Taking state capitalism seriously means recognising the role of local state-capital hybrids in shaping the pattern of industrial development, and in capital formation. From this perspective, the UDI economy was one based on close bonds forged between the white political elite and the organised white private sector, expressed through ongoing linkages between local state capital and (largely foreign) private capital.

The tendency towards a closed economy, and import-substitution, was reinforced by the establishment of a war-economy in the 1970s. The local construction of military vehicles and weapons was of especial importance. Manufacturing, officials claimed, increased its output four-fold by the mid-1970s, mining three-fold. However, manufacturing never reached the volume or weight of its South African counterpart, and the (Southern) Rhodesian parastatal complex was rather modest compared to that of its southern neighbour.

By the late 1970s, the Rhodesian state had been weakened by the ongoing ZANU and ZAPU insurgencies, the collapse of Portuguese rule in Angola and Mozambique in 1974, and a slow but steady withdrawal of South African support. Like SWAPO, ZANU and ZAPU never managed to establish significant liberated zones within the national territory. The Rhodesian state also never lost its overall military superiority. It was also far from an economic collapse, although manufacturing was hammered by sanctions, increasingly uncompetitive in southern African markets, and affected by declining South African aid (Skålnes, 1992, 1995).

Nonetheless, Smith's government believed that some sort of compromise was unavoidable and sought an internal settlement with black African moderates that excluded ZANU and ZAPU and stopped short of majority rule. These efforts all failed. Finally, a settlement was brokered by Britain at Lancaster House, London. In early 1980, there were open elections. These elected the first parliament of what would now become Zimbabwe. ZANU, now renamed the ZANU-Patriotic Front or ZANU-PF, won 57 out of 80 seats, elected by proportional vote on a common roll. ZAPU won 20. The Rhodesian Front swept the other 20 seats, which were reserved for whites until 1987 (Stiff, 2000). Since that time, ZANU-PF has controlled the government of Zimbabwe.

The 1980 elections had been marred by some violence and political intimidation. In 1980 and 1981, there were sporadic clashes between former ZAPU- and ZANU-affiliated soldiers, who were being integrated into a new national army. Unlike SWAPO in Namibia, or the ANC in South Africa, ZANU-PF engaged in repression of black African political opponents soon after taking office. It retained emergency measures introduced by the former Smith government, including detention without

trial. It also amnestied security forces in advance for unlawful acts committed in the course of their duties. A strike wave soon after independence was repressed, and a state- controlled Zimbabwe Congress of Trade Unions was established as the sole recognised union federation in 1981 (Van der Walt, 1998).

In 1982, the ZANU-PF and Prime Minister Robert Mugabe claimed that ZAPU was planning a *coup d'etat*. This was never proven but in 1983, the government launched a brutal counter-insurgency campaign focussed on the ZAPU stronghold of Matabeleland (see Ndlovu-Gatsheni, 2017). Called the *Gukurahundi*, it involved mass killings, extensive repression, and ethnic violence, and reinforced ZANU-PF militaristic political culture. In 1987, to secure peace, ZAPU entered "unity talks" that culminated in its dissolution into ZANU-PF, which secured thereby a super-majority. Constitutional amendments that year also replaced the position of Prime Minister with that of a powerful executive President.

5.3 Independent Zimbabwe: The First Decades

Post-independence Zimbabwe was characterised by many failed attempts to build a viable economic system. Like most of its African counterparts, at independence in 1980, ZANU-PF considered that a large-scale, coordinated and state-led system was critical to stimulating economic growth. Despite ZANU-PF's strident nationalist and even Marxist rhetoric, economic policy remained largely unchanged in the first decade of independence. Much of ISI remained in place, as did its associated parastatals. The ruling party established control over the state, and the inherited parastatals. These were usually renamed – for example RISCO became the Zimbabwe Iron and Steel Company (ZISCO) – but the party worked to ensure that loyalists dominated management. The use of taxes, and of price controls, to protect parastatals continued.

There was a small boom in the early 1980s, driven by the lifting of sanctions. However, local manufacturing suffered as export incentives were removed, and the Zimbabwean dollar strengthened, with manufacturing exports falling from USD $750 million to around USD $450 million in 1982 (Skålnes, 1992: 408). The Mugabe government's response

to this was essentially protectionist. The currency was devalued under an IMF adjustment programme starting in 1982, export incentives were reintroduced from 1983 with World Bank financial support, and then steadily expanded, and strict foreign exchange controls were put in place, limiting imports (Skålnes, 1992: 408).

The economy continued to grow steadily, with average growth estimated at around 3.4 percent for 1980–1992 (Skålnes, 1992: 407). Popular images of Zimbabwe today centre on land, with the country retrospectively reimagined as eternally, and essentially, rural. But in the early days of independence, ZANU-PF presided over one of the largest manufacturing sectors in Africa, and extensive capitalist industry. While the rural population predominated, agriculture was just 13 percent of GDP in 1990; mining contributed 8 percent, but manufacturing an impressive 26 percent (Skålnes, 1992: 407). While there was a large population of small-scale black African farmers concentrated in the old reserves (now called communal areas), many were partly reliant on wage remittances. Large capitalist farms – almost all white-owned – employed a third of the national workforce and generated around half of exports. The economy continued to grow steadily, the government debt was modest and manageable, and most indicators were very positive by the late 1980s.

The new government showed that it was willing to expand the state sector. Lancaster Steel, a subsidiary of British Steel that purchased its raw steel from ZISCO, collapsed – partly because the ZANU-PF government intervened to set its input, output, and labour prices It was then bought by the government, and merged into ZISCO (Compagnon, 2011). Employment in the parastatal rose steadily, from around 2,900 in RISCO in 1965 to 5,500 in ZISCO in 1990, and it became the highest foreign exchange earner amongst manufacturers (Tambo, 2017). New parastatals were established, like the Zimbabwe Mining Development Corporation (ZMDC) set up in 1982, which engaged in mining, including through joint ventures, and the Zimbabwe Defence Industries (ZDI) created in 1984 to supply the military. Other new parastatals provided development finance, like the Small Enterprise Development Corporation (SEDCO) formed in 1983.

The inherited electrical power system was complicated and fractured. Zambia and Zimbabwe jointly ran a hydroelectric station at the Kariba dam on the Zambezi River. The Electricity Supply Commission operated coal-fired power stations at Gweru, Mutare and Munyati. Bulawayo and Harare had their own municipal coal plants. Shortfalls in local generation meant a heavy reliance on power imports from Zambia. Legislation was passed in 1985 to consolidate the electricity system into a monopoly parastatal. This led to the founding of the Zimbabwean Electricity Supply Authority (ZESA). ZANU-PF, aiming at "achieving self-sufficiency in electricity supply," commissioned a new coal-fired power station at Hwange. One of the largest capital development projects in the country's history, it was fully operational in 1987 (Söderholm, 1999: 336, 341).

There were, however, worrying signs. Government salaries, contracts, and parastatals were used for personal wealth accumulation by the political – including the military – elite. There was the development of an extensive patronage system, centred on ZANU-PF, which reached into the lower levels of the state, as well as into the private sector, as well as by nepotism (Moyo, 2016). Government employment grew steadily, becoming a crucial part of the growing system of clientelism. ZAPU was largely cut out of accumulation and patronage, as were black African businessmen who bucked party and patrons. The ruling black African nationalists became what has sometimes been described as a "state bourgeoisie," reliant on "the monopolistic control of political power" (Compagnon, 2011: 192–193). The new political elite "had every reason to believe that the control of the state was crucial," given how the white (Southern) Rhodesian government had assisted white farming and industry, and closed down opposition after UDI (Compagnon, 2011: 192–193).

Revenues leveraged through the state were never just offshored, nor solely devoted to conspicuous consumption. Rather, the system that developed centred on "straddling" positions that interconnected the private sector, the party, the state, the military and the parastatals (Compagnon, 2011). Not only were ZANU-PF leaders involved in private businesses, but so was the party itself. It had substantial holdings of

its own, notably through the Zimbabwe National Holdings Corporation (ZINCO) set up in 1984, and the Zimbabwe National Holdings Corporation formed in 1988. Firms owned or part-owned by ZANU-PF got preferential access to government contracts, and their number grew from around 12 in the late 1980s to over 100 in the 1990s (Van der Walt, 1998: 98).

The party-state supported black African-owned small and medium-enterprises through SEDCO, focussing on politically connected people. There was no programme to develop independent black African industrialists or commercial farmers. Rather, class formation was done in a way that fostered reliance on state largesse and political connections. For instance, while a significant number of black African-owned banks emerged, they were dependent on cosy relationships with the political elite and were expected to provide loans to insiders and facilitate corrupt dealings.

The old white elite joined the system where possible. For example, many of the larger white-owned and foreign-owned firms brought in black Africans linked to ZANU-PF, as partners or as board members. This was partly due to political pressure, and to access the party-state. Some white businessmen acted as "intermediaries between international capital and the government" and were rewarded with "generous kickbacks," and even others were part of corrupt schemes (Compagnon, 2011: 196, 210). Thus, the achievements of the 1980s co-existed with extensive, increasingly destructive rent-seeking by the party-state elite through their: office positions, parastatals, and private businesses; use of state power, and control of access to the state, that was used to crowd out competitors.

The fiscus came under increasing strain. This was partly due to greatly increased expenditure on welfare, as well as adverse international conditions. It also resulted, however, from corruption, revenue extraction, and the increasingly inefficient, continually proliferating parastatals. Moreover, the ruling nationalists became increasingly reckless from the late 1980s, when "the ruling party's hegemony was no longer seriously challenged" (Compagnon, 2011: 193).

The "Willowgate" scandal, which broke out in 1988–1989, was the first major public exposé of the corrupt practices that had taken root.

It centred on two car assembly plants in Harare (one at Willowvale), which were both owned by the Industrial Development Corporation. The Industrial Development Corporation fell under the ZANU-PF-controlled Ministry of Industry and Commerce. Zimbabwe had a severe shortage of vehicles, and senior politicians and officials were given priority on the list to purchase the cars from these plants, ostensibly for work purposes. However, many simply bought and resold cars for enormous, undeclared, private profits (Hiltzik, 1989). A commission of enquiry led to the resignation of three cabinet Ministers.

In 1991, Zimbabwe adopted a World Bank-sponsored Economic Structural Adjustment Programme (ESAP) to stimulate growth and exports. This shift was in part homegrown, with some of the impetus coming from local business, frustrated with red tape and the shortage of foreign exchange, and senior figures in the Ministry of Finance (Skålnes, 1992, 1995; the ESAP is summarised in Republic of Zimbabwe, 1990). The outcome of the Willowgate enquiry and the adoption of ESAP fostered an optimistic prognosis for the country, as if an effective, modernising state was being constructed. Corruption seemed to be taken extremely seriously, while ESAP appeared to signal the ascendance of technocrats over leftist ideologues within ZANU-PF. Critics of ISI, a mainstay of state policy since the 1930s, believed that the ESAP heralded a new dawn of free markets.

The ESAP programme was characterised by the rolling back of the state, cutting down on social spending, readjusting exchange rates, decreasing public subsidies, dismantling of trade barriers, and the planned restructuring of parastatals via corporatisation and privatisation (Moyo, 2021). Some parastatals lost their monopolies, some were restructured, and others withered as funding was cut. In 1998, the Zimbabwe Programme for Economic and Social Transformation listed 52 parastatals for commercialisation and privatisation, along with an improbably "precise timetable" (Compagnon, 2011: 200).

Nevertheless, the reforms were shaped by the state in which they were embedded. While health spending was gutted (against the advice of the World Bank), expenditure on the Cabinet, the armed forces, and ZANU-PF itself was left untouched. The government deficit grew to around 13 percent of GDP by 1995, partly due to ESAP-related

borrowing, but also due to overspending despite the ESAP mandates (Saunders, 1996: 9). But, ZANU-PF was always very reluctant to do away with parastatals and the resources they contained, and only a few were substantially restructured in the ESAP period, including three centring on agriculture. The Cotton Marketing Board became the Cotton Company of Zimbabwe (COTTCO). The Dairy Marketing Board became Dairibord Zimbabwe, manufacturer and distributor of milk and dairy products. Both were first corporatized and then privatised (Moyo, 2014). The Cold Storage Commission, which included ranches, abattoirs and other meat processing facilities, became the Cold Storage Company (CSC). The partly privatised CSC was, however, "financially capacitated to withstand competition," lost its monopoly position as the sector was deregulated, and soon surrendered half of its market share to "private players" (The Zimbabwe Mail, 2022).

Corruption and maladministration remained rife, and intersected with parastatals' restructuring in disastrous ways. For instance, in 1995 Mugabe reversed a contract awarded to an international consortium led by French company Aeroport de Paris for a new international terminal at Harare airport. The contract was reallocated to a relatively unknown firm in Cyprus, represented locally by Mugabe's nephew, Leo Mugabe. Funds were siphoned off by the political elite, and the project faltered. In 1996, the Hwange power station complex was partly privatised through a joint venture with a Malaysian firm. The state was to retain 47.5 percent of shares through ZESA. At the time, ZESA was cash-strapped and highly indebted, and unable to fund any major capital projects. Tendering procedures were flouted, ZESA's board was left out of the negotiations, and major capital assets were sold off at bargain prices in return for promises of renovation and expansion (Compagnon, 2011). The once-mighty Zimbabwe Iron and Steel Company (Ziscosteel, formerly RISCOM) was in crisis by the late 1990s, with obsolete equipment, underinvestment and a collapse in governance (Tambo, 2017).

Around the same time, Zimbabwe's military became involved in the civil war in the Democratic Republic of Congo (DRC), which provided a key platform for military and party elites to accumulate spoils, with military-linked business ventures focusing on mineral production,

distribution, and smuggling (Campbell, 2003). Hence, military spending ballooned, retired high-ranking officers benefited from Zimbabwe Defence Industries supply contracts with the DRC government, and ZANU-PF elites became involved in cobalt, copper and diamond mining and smuggling through a complex set of concessions, joint ventures, and parastatal deals (Moyo, 2016).

The ESAP created massive strains. While white-owned commercial farming did very well under the reforms, manufacturing was hit very hard, state employment declined, and wages fell, depressing consumer demand (Hammar *et al.*, 2003; Zimbabwe Congress of Trade Unions (ZCTU), 1996). The manufacturing sector faced a loss of export markets, while struggling to pay for imported inputs and capital equipment as the currency depreciated and interest rates increased sharply (Zimbabwe Congress of Trade Unions (ZCTU), 1996: 3–5). There were numerous factory and workshop closures, with many surviving firms struggling to meet growing debts (Saunders, 1996: 9). Manufacturing output fell below 1980s levels, including sharp declines in wages and employment.

At the central state level, in the ESAP period, there was no "clear vision" of the "long-term," no industry policy and none of the "institutional capabilities" needed to help firms become more competitive; as well, trade policy was marked by "liberalising haphazardly" and "fundamental inconsistency" (Zimbabwe Congress of Trade Unions (ZCTU), 1996: 2–5). For example, some import tariffs were brought back for auto assembly, battery manufacturing, beverages, clothing, and textiles in the mid-1990s (Saunders, 1996: 9). This lack of state foresight and capacity was also borne out by the end of the decade, when numerous ZESA plans to expand local electricity generation came to naught. Power became rationed through a quota system to manage the growing electricity shortfall, with a knock-on effect for manufacturers. The growing shortfall was partly met through imports, now mainly from South Africa and Mozambique, which placed further pressure on foreign exchange; this was clearly at odds with ZESA's mandate for self-sufficiency (Söderholm, 1999: 337, 340).

Therefore, instead of ameliorating the economic catharsis that Zimbabwe was facing at the time, ESAP aggravated the situation by leading to increased unemployment, an accelerated rate of de-industrialisation,

and increased rates of poverty. In short, ESAP resulted in Zimbabwe's economy being choked, with businesses saddled with high debts, finance charges and labour costs, as well as antiquated plant and equipment, and a scarcity of international financial flows (Chipika and Malaba, 2017). ESAP also generated "growing social and political stresses," which was reflected in growing urban working-class unrest. In alliance with urban civics, the Zimbabwe Congress of Trade Unions (ZCTU) became central to the growing opposition to ZANU-PF, including an unprecedented strike by the ZCTU's farmworkers' union in 1997. In 1997, there were also protests by groups representing ex-guerrillas ("war veterans") after payments from the War Victims Compensation Fund stopped, following extensive looting by senior officials. A belligerent "indigenisation" lobby emerged as well: claiming to represent marginalised black African capitalists and farmers, it demanded land as well as shares in private firms (McCandless, 2012). Leaders included the politically connected banker Roger Boka, who later fled the country in 1998 after his corrupt business empire collapsed.

The party-state responded to the growing unrest with a mixture of repression, populist anti-white rhetoric, endorsement of the "indigenisation" lobby, and expanding patronage. Businesses linked to the "indigenisation" group received "preferential awarding of smaller government contracts and access to government and donor-guaranteed concessional loans" (Saunders, 1996: 10). In August 1997, around 50,000 war veterans received a massive, unbudgeted pay-out, plus the promise of a monthly stipend and free education and healthcare from January 1998 (McCandless, 2012).

While this brought most war veterans back into the ZANU-PF fold, it was an economic disaster. The "internal public debt skyrocketed," and the Zimbabwean dollar collapsed (Compagnon, 2011: 200). To fill the revenue gap, the government introduced levies on wages and profits, higher sales tax, and higher petrol and electricity prices – the latter were still set by state agencies like ZESA. This led to steep price rises and popular resentment, triggered months of ZCTU-led general strikes from late 1997, and food riots in Harare in early 1998. Repression was intense but eventually the government walked back some of the increases, reintroduced some price controls on food, and promised to

involve unions in policymaking. By 1999, multiple, mutually reinforcing crises wracked the country.

5.4 The Post-2000 Mugabe Period

In the post-2000 period under Mugabe's rule (until 2017), the consolidation of a deeply authoritarian and predatory state took place, and was a springboard for ongoing asset accumulation by party, state and military elites. The ESAP period saw some moves towards a neo-liberal model, including the restructuring of parastatals away from the non-profit ISI model for state operations. As ESAP imploded, the neo-liberal experiment was replaced by militarised primitive accumulation. This had echoes of the British South Africa Company days but centred on an increasingly predatory state that crippled the capitalist economy. The party-state had an overbearing presence in economy and society, although the state became distinctly absent when it came to satisfying the basic needs of ordinary Zimbabwean citizens (Chiumbu and Musemwa, 2012).

The year 2000 was arguably the watershed, decisively reconfiguring Zimbabwe's state, economy, and society (Helliker and Murisa, 2020; Mkandawire, 2020; Moore, 2001). In 1999, the ZCTU helped form the Movement for Democratic Change (MDC) as an opposition party. In early 2000, the MDC and ZCTU helped organise a successful "no" vote in a referendum on a new, ZANU-PF-authored Constitution which sought, amongst other things, to strengthen the executive Presidency yet further. At the same time, in early 2000, war veterans led countrywide occupations of white-owned commercial farmland and other landholdings. In mid-2000, the fledgling MDC won 57 of 120 elected seats in parliamentary elections. This was the biggest electoral challenge ZANU-PF had faced since 1980, and despite repression.

Faced with pressure from all sides, the ruling ZANU-PF party moved quickly to try to capture and subdue the occupation movement, while repressing the urban opposition. This involved the formulation and implementation of a controversial Fast Track Land Reform Programme (FTLRP), which entailed turning its back on the austerity regime of

the 1990s (Kanyenze *et al.*, 2018). The FTLRP led to the compulsory acquisition of white freehold agricultural lands for redistribution purposes.

Two categories of land were created in these areas: A1 farms, which are heavily subdivided and allow for subsistence or semi-commercial agricultural activities; and A2 farms, which are large, commercial holdings, some taken over by one person in their entirety, and others subdivided into commercially viable land areas. Allocating access to A1 farms allowed land to be made a source of rent for the state and were thus integrated into systems of patronage. Meanwhile, A2 farms were subject to large-scale land-takeovers by party, state and military elites, and members of the black African bourgeoisie historically reliant on the party-state, often through a subversion of official allocation procedures (see the papers in Helliker *et al.*, 2021; also, Moyo and Yeros, 2007).

The effect of FTLRP was an immediate and dramatic decline in agricultural production, including of key exports like tobacco, and there were wider and severe knock-on effects, notably for manufacturing. The formal economy contracted sharply, hyperinflation occurred, assistance from the World Bank and other international financial institutions dried up, and a range of targeted sanctions was imposed. Effectively, the two core sections of the (mainly white) private bourgeoisie – white commercial farmers, and local manufacturers – were swept aside by the actions of the state elite. The main exception to the economic decline – and to this sweeping aside of the white bourgeoisie – was mining, which "underwent a round of explosive growth" in the 2000s (Saunders, 2023: 509–510). Centred on diamonds and platinum, and driven by a global boom in mineral commodities, it relied on "deep-pocketed" foreign investors willing to face high risks to "scoop up deals" (Saunders, 2023: 509–510). The "single largest mining investment since 1980" was by Zimplats, a subsidiary of South African giant, Implats (Saunders, 2023: 514, 514 note 49).

But the days where the Zimbabwean state could still undertake massive, and successful projects (like the impressive, rapid Hwange power plant build in the 1980s), were long gone. State institutions operated in unpredictable ways that were often profoundly anti-developmental, serving elite accumulation and consumption, rather than long-term

growth or development. In the early 1980s, Zimbabwe had a relatively effective infrastructure and administration, was a net food exporter, and had a large, growing manufacturing sector: twenty years later it had the dubious distinction of the "fastest shrinking economy in the world" (Compagnon, 2011: 192). The military played an increasing role in elite enrichment, with retried military officers now also serving at the head of most surviving parastatals.

State revenue plummeted, leading to a collapse of state services and infrastructure, and of parastatals. ZISCO, for its part, did not have a fully constituted board, and a 2006 report revealed that "company finances being raided through questionable contracts and string of payments covering controversial purchases, services, airfares, hotel bookings, director's fees, management expenses and entertainment allowances" (Moyo, 2014: 83).

The extractive and predatory logic of the state came increasingly to the fore. For example, state-ownership of land via the FTLRP allowed small A1 farmers to be pushed off farms by elites. Further, ostensibly to ensure food security, various iterations of command agriculture (with significant military involvement) have been explicitly formulated and implemented, with certain farmers targeted and expected to grow specific levels of certain crops, particularly maize. In seeking to consolidate its control and management over agricultural production and marketing, the state also re-operationalised monopolistic agricultural commodity boards.

Party and state elites were perhaps predictably keen on capturing some of the wealth emanating from mining, as they had with agriculture under the FTLRP. In 2008, for example, ZANU-PF passed the Indigenisation and Economic Empowerment Act (the IEE Act). This forced all white-owned and foreign- owned businesses to transfer 51 percent or more of their ownership to "indigenous" hands. It came into effect in 2010, setting out 12 reserved sectors but focusing – in practice – on mining. A National Indigenisation and Economic Empowerment Board was set up to "acquire, hold and manage assets" for the state, plus employee and community trusts (Saunders, 2023: 507, 510–511). A sovereign wealth fund was added to the mix of recipients in 2014.

In pursuing this, there was no "standard indigenisation blueprint to be adapted by companies" (Saunders, 2023: 514, 518–519), no "coherent indigenisation policy framework," and no policy certainty (Compagnon, 2011: 202). The legislative and implementation components surrounding the IEE Act were vague, contradictory, and arbitrary. For instance, "non-Zimbabwean individuals or companies could be designated as indigenous by ministerial fiat" (Saunders, 2023: 597 note 8). Large mining houses threatened to disinvest, exploited loopholes, and demanded an overhaul of the legislation and regulations. The mining houses appeased the party-state with special deals and irregular payments, and some investment in worker and community trusts and local development investments. But they flatly refused to transfer significant assets to the state without financial compensation paid in hard currency. The trusts were also unstable, and where they functioned, were usually captured by people, including chiefs, aligned to ZANU-PF.

While developments in mining had a relatively limited regional effect, the unfolding situation at ZESA proved a national disaster. The parastatal entered the 2000s with huge debts and a decade of unfulfilled plans to expand generation, including the failed privatisation at Hwange. Unable to raise loans, it was also embroiled in a series of scandals involving "supply contracts for goods paid for but never supplied," and the corrupt award of an expensive contract to a private form to build a diesel power plant near Harare (Bhoroma, 2020). While the plant was completed in 2016, at double the original price, it was mothballed because it was impossible to pay the fuel costs. In 2006, reports revealed the looting of ZISCO by senior management, and by 2010, the parastatal was unable to pay its staff and headed for liquidation. Further, efforts to privatise the parastatal collapsed after years of uncertainty, including clashes between rival Ministries over its fate, and the giant works closed its doors in 2017.

The operations of another parastatal – this time a crucial financial body – also affected the entire country in profoundly negative ways: the Reserve Bank of Zimbabwe. Rather than act as a stabilising force, the Bank fuelled the crisis by printing excessive amounts of money – leading directly to hyperinflation in 2007–2008 – and by facilitating corruption. As foreign currency became increasingly scarce, the Bank pegged the

official purchase price of foreign currency well below the market rates in the underground economy. In an echo of the Willowgate scandal, this enabled elites to use their ready access to the state to purchase large sums of foreign currency at the official rate and then sell it illegally on the black market at market rates. The Bank also began to go far beyond its monetary policy mandate to engage in quasi-fiscal policies, such as a farm mechanisation scheme. This involved access to imported combine harvesters and tractors, many of which were distributed in a clandestine manner to elites.

After disputed presidential and parliamentary elections in 2008, ZANU-PF was compelled to form a Government of National Unity (GNU) with the MDC, which lasted until 2013. There was some economic recovery under the (MDC-led) Finance Ministry, including by "dollarising" the economy. However, to thwart MDC oversight, a parallel state structure was established under the command of ZANU-PF leaders and securocrats. It was revealed when state elites formed their own diamond companies – with some foreign, including South African, capital – to take over new diamond fields in Marange in Chiadzwa in eastern Zimbabwe, pushing out small-scale and informal miners. Little of the diamond revenue generated entered the fiscus, as elite accumulation privatised the revenue. Even where efforts were made to restructure parastatals during the GNU, including via some return to commercialisation and, at times, privatisation – for example, public-private partnerships and joint ventures in the transport and energy sectors – this provided new avenues for elite accumulation as only companies connected to the ruling party became involved. In 2013, ZANU-PF returned as the sole ruling party.

Broadly speaking, the private sector's power in Zimbabwe from 2000 to 2017 declined, especially following the destruction of white commercial farming, the meltdown of manufacturing and the enactment of the indigenisation and economic empowerment act in the 2000s. This, however, does not in any way mean that the private sector was no longer an important player in Zimbabwe – far from it. In fact, the state manipulates the economy to generate the profits for its favoured members of the private sector. It is worth reiterating that state intervention in Zimbabwe has been driven by parastatals, and the state elite, including

the upper echelons of the military. Accordingly, the state has been using the markets to create wealth for the political elite, politically exposed persons, military officials, and the ruling party in general.

In summary, it is difficult to fit this form of predatory, militarised primitive accumulation into the "new state capitalism" that *The Economist* highlights. It was not coherent, nor was it compatible with sustained growth. A diverse, convoluted, and confusing array of heterodox and largely *dirigiste* macro-economic policies have come and gone, but the ZANU-PF-controlled state under Mugabe, apparently adrift, failed to find a way out of the malaise. The widespread existence of brazen elite accumulation undercut the state's finances and its capacity to develop coherent policies. A 2018 audit found a pattern of collapse across the parastatals, including in marketing boards, the national airline, the railways and roads authorities, and state mining operations, based on maladministration, a lack of financial controls, insider loans, contracts to politically connected suppliers, massive debts, political interference, and brazen corruption. State institutions operated in unpredictable ways that served elite accumulation at the cost of a viable, stable capitalist system. Primitive accumulation did not form the basis for subsequent capitalist development: it was profoundly anti-developmental, crudely extractive and fundamentally predatory.

5.5 The Mnangagwa Regime, 2017 Onwards

In November 2017, a military-assisted transition led to the downfall of Mugabe and the emergence of Emmerson Mnangagwa as ruling party and state President. Unlike the shift from Zuma to Ramaphosa in South Africa, which took place in a relatively open multi-party parliamentary system, and which was shaped by popular pressures, the shift from Mugabe to Mnangagwa was a palace coup. It occurred in the context of a factional ZANU-PF battle, in which the ageing Mugabe – at the time 93 years old – sought to appoint his wife, Grace Mugabe, his successor, and fired Mnangagwa as Vice President. Mnangagwa was a securocrat and former Mugabe ally, and had served, *inter alia*, as Minister of Defence, Minister of Justice, and Minister of National Security.

After the 2017 coup, key members of the Mugabe faction were purged from the party and the armed forces. Mnangagwa promised processes of reconciliation and democratic reform and emphasised the importance of re-engaging with the West. There were popular celebrations and hopes following the ouster of Mugabe, but under Mnangagwa, ZANU-PF soon proved committed to the old authoritarian ways. The party went on to win both the 2018 and 2023 elections, with serious concerns raised by opposition parties and observers about the repressive electoral environment, the party's extensive use of state resources in its campaign, and vote-rigging. While South Africa's ANC faces real risks in elections, ZANU-PF does not. Unlike SWAPO, it is not safeguarded by the fact of a weak civil society: rather, it actively suppresses considerable popular opposition.

Economically, ZANU-PF initiated a programme entitled "Zimbabwe is Open for Business," which aimed to rebrand the country and revive the economy. In this context, there are signs that the arbitrary policy of the Mugabe years is being chipped away, although constant flux and uncertainty render analysis exceedingly difficult (see the papers in Moyo and Helliker, 2023). Mnangagwa actively wooed investors and compensated some white farmers who lost land through the FTLRP, to transform the programme, belatedly, into a market transaction and to demonstrate that it is a safe investment destination. The government under Mnangagwa has prioritised the clearance of external arrears to international banks and bilateral official creditors (Moyo, 2023). Through this prioritisation, it is hoping to pave the way for fresh financing from the rest of the international community including global financial and capital markets.

He also announced plans to commercialise or partially privatise various parastatals, and merge or close others. In 2019, for example, the Cold Storage Company was resuscitated through a huge joint venture with British firm Boustead Beef Zimbabwe, which was conceded all key facilities (The Zimbabwe Mail, 2022). Chinese investment has also grown substantially, usually via Chinese state companies. The liberalisation of the power sector has led to a proliferation of independent power producers (IPPs), mostly quite modest in scale. ZESA itself lacks the funding for any major expansion or rehabilitation of plants. There are

claims that efforts to offload underperforming state entities are oftentimes thwarted by high consultancy fees, bureaucracy, debt overhang, and a hostile investment and economic environment that chases away potential investors.

Efforts have been made to overhaul corporate governance frameworks amongst parastatals, and to implement reforms and recommendations from Auditor-General reports. Liberalisation of the indigenisation framework has taken place (Saunders, 2023), including significant amendments, in 2018, to the IEE Act (Xinhua, 2018). The Act now referred to "citizens of Zimbabwe" rather than "indigenous citizens" as the intended beneficiaries, and while the Act continued to reserve 12 sectors for locals, only "designated diamond and platinum extraction businesses" had to transfer stakes. These stakes would be held in parastatals, including the ZMDC, rather than by individuals (Xinhua, 2018). Non-citizens would require permission to invest in reserved sectors, but there was no blanket ban nor obligatory transfer other than in diamond and platinum extraction.

As part of its re-engagement efforts with the international community, the government of Zimbabwe has recently nominally adopted a more neo-liberal policy framework. Steps include the Transitional Stabilisation Programme (TSP) (2018–2020), the ongoing National Development Strategy 1 (2021–2025), the Debt Restructuring and Arrears Clearance Strategy, and the Vision 2030 which (unrealistically) intends to make Zimbabwe into an upper middle-income economy by 2030. At the same time, the government is implementing an expansive subsidies programme for communal and small-scale farmers, public urban transport, state-owned enterprises, and selected businesses through the Reserve Bank. It has blended some elements of state control with doses of orthodox neo-liberal policies in its development trajectory. It has also engaged the IMF over restructuring an external debt of well over USD $19 billion, with the country one of the most debt-distressed in Africa (Moyo, 2023).

There remains a great deal of continuity with past Mugabe-era practices despite reforms, and – outside of official rhetoric– no signs of a Zimbabwean "developmental state" in the making, and no clear break with the militarised primitive accumulation. A diverse, convoluted, and

confusing array of macro-economic policies have come and gone (Mkandawire, 2020). Corruption remains firmly in place, with a predatory state and little capacity or will to undertake basic reforms. The state is almost bankrupt, meaning that even well-intentioned measures are often impossible to implement. It is unable to maintain basic infrastructure and it seems exceedingly unlikely that it will be ever able to pay the USD $330 million in compensation that it has promised white farmers. The ZANU-PF party-state has yet to find a way out of the quagmire it created.

From the 2000, the Zimbabwean placed growing emphasis on East Asia – and, more specifically, on attracting China – in its international economic relations. This reorientation away from traditional trade partners and investors like Britain has been shaped by its soured relations with the West, including British and USA sanctions for its appalling human rights record. China seeks friends, to expand its geo-political reach, and opportunities for trade and investment, especially in raw materials. Chinese businesses (including parastatals) have spread their footprint in agriculture, construction, infrastructure, mining, and power generation, as well as in manufacturing, telecommunications, and other sectors of the economy in Zimbabwe. China has also provided a growing market for agricultural exports like tobacco (Chigumira and Kwaramba, 2021: 87–88). Around 80 Chinese companies currently operate in Zimbabwe, of which a significant number are state-owned (Davis, 2018).

China, as Zimbabwe's close political and economic ally, is implicated in trapping Zimbabwe into a vicious circle of debt (Moyo, 2020). Zimbabwe has not been accessing global finance due to its failure to service its debt to multilateral creditors and because of the sanctions imposed by its Western bilateral creditors. Because of this, it has been relying on China for development finance. The loans provided by China include what has come to be known as Resource for Infrastructure (RFI) arrangements. Through these arrangements, Zimbabwe has been mortgaging resources to China. It is estimated that RFIs between China and Zimbabwe stands at USD $6.8 billion.

RFIs signed between the country and the China Export-Import Bank include, in 2006, the China North Industries Corporation (NORICO) supplying mining equipment to Hwange Colliery Company to the tune

of USD $6.2 million in exchange for coal and coke. It also supplied arms to the government of Zimbabwe in exchange for mineral exports to China. In 2007, the two countries signed a deal to the tune of USD $1.3 billion for the construction of three thermal power stations in Zimbabwe, with a memorandum of understanding signed to finance three power plants with chrome export revenues. In 2009, China and Zimbabwe agreed upon a USD $5 billion arrangement to develop a platinum mine in Zimbabwe, and a memorandum of understanding was signed for a 50 percent equity in a USD $40 billion platinum concession for a USD $5 billion concession credit line. In 2011, China and Zimbabwe agreed on USD $98 million for the construction of the National Defence College to be paid by diamonds from Marange. Finally, in 2016, the government of Zimbabwe assumed the debt from the Reserve Bank, and the payments are to be made through nickel from Bindura Nickel Corporation and gold from Shamva and Fredda Rebecca Gold Mine (Zimbabwe Coalition on Debt and Development (ZIMCODD), 2022; also see Mihalyi *et al.*, 2020).

In Zimbabwe's state capitalism, RFI arrangements are often secured and agreed upon without any competitive bids. The government makes decisions often influenced and informed by non-economic considerations. In fact, Chinese RFI investments have been very appealing to the cash-strapped government whose tenuous relationship with Euro-Western countries has seen it shut out of the global finance architecture. While the RFI investment has been very attractive to the Zimbabwean government when compared with loans from the Euro-Western sources, this financing model is also associated with the dangers of erosion of resource sovereignty. If the country fails to service its debts, there are chances of China taking over the collateralised assets as it did in Sri Lanka (Moyo, 2020, 2021).

Zimbabwe under Mnangagwa has increasingly presented itself as following China's model of state capitalism. While government rhetoric about following the Chinese model abounds – and serves to justify growing repression, as well as tightening the grip over the levers of the economy by the political elite, the actual variety of state capitalism that exists in Zimbabwe – a "militarised state capitalism" – is anti-developmental. State institutions remain an integral part of a system

used by the senior state authorities to control, guide, and dominate the economy and the polity of Zimbabwe (Moyo, 2016, 2020). In a way, these act as incubators of militarised state capitalism that is characterised by an admixture of primitive accumulation, rent extraction, repression of dissent, patronage, political control, power retention tactics, and elective authoritarianism.

Together these have seen the ruling ZANU-PF party remain in power for over four decades despite presiding over a decayed economy for the better part of that period. If the ZANU-PF government is sincerely attempting to copy the Chinese model of governance, it is doing an astonishingly bad job. Its predatory state undercuts the basic conditions for economic growth, and primitive accumulation does not seem to be followed by expanded capitalist reproduction.

The military in Zimbabwe is a key player in these developments, having steadily expanded its non-military operations into the economy and politics of the country. Even before the 2017 coup, the military was already involved in the polity and economy of the country (Moyo, 2014, 2015, 2016). Following November 2017, the members of the military have assumed an increasingly overt role in the business and governance structures of the country. For instance, the former Commander of the Defence Forces (Constantino Chiwenga) is now the Vice President of the country while other retired generals have been incorporated as cabinet Ministers, Members of Parliament, and ambassadors (Moyo and Phulu, 2021). The military provides key personnel for the parastatals and for major companies engaged in diamond, gold, chrome and lithium mining as well as agriculture and construction. It is not only involved as an institution, as many military officers are also run private businesses. As a result, the military is one of the most controversial players in Zimbabwe's state capitalism.

The military controls and manages a business empire that runs large swathes of land and mining. The military has become so pervasive that it is a defining factor of the extractive industries. However, the Mnangagwa administration's approach to military businesses does not reflect a coherent and integrated strategy, other than as a system of benefits for the upper echelons of the military that helps keep them loyal to the party-state (Moyo, 2016). Rank-and-file soldiers wallow

in poverty like the rest of the population. Of course, the latter are occasionally offered some trinkets in the form of allowances to keep them silent and loyal to their commanders but, overall, even junior officers are not benefiting from the significant military businesses. Notably as well, Zimbabwe's "militricians" work very closely with their Chinese and Russian counterparts with whom they have formed joint ventures, especially in the diamond, gold, and lithium sectors. For example, the military has been involved in Mbada Investments, Marange Resources, Zimbabwe Mining Development Corporation (ZMDC) and Anjin Pvt Ltd, all of which mined diamonds in Chiadzwa.

The true number of military-controlled businesses in Zimbabwe is not known, owing to the secretive character of the deals that are transacted by the executive-military alliance. There are also claims that the military is involved in illicit financial flows, and illegal wildlife and minerals trade. Given its political, business, and economic clout, the military in Zimbabwe will remain a strong and influential power broker for the foreseeable future.

The country's parastatals now include a total of 179 entities which contribute less than 2 percent to Zimbabwe's GDP. The represents a huge decline from the values in the mid-1990s when parastatals accounted for more than 40 percent of the national wealth and gainfully employed thousands of workers (Moyo, 2014).

The key parastatals in Zimbabwe presently include Air Zimbabwe, Civil Aviation Authority of Zimbabwe (CAAZ), Cold Storage Commission (CSC), Grain Marketing Board (GMB), National Railways of Zimbabwe (NRZ), Zimbabwe Electricity Supply Authority (ZESA) Holdings, Zimbabwe Iron and Steel Company (ZISCO), Zimbabwe National Water Authority (ZINWA) and NetOne and TelOne. These entities provide services such as water, electricity, telecommunications, transportation, health, and education for the generality of the population. The government participates in the day-to-day management of the individual parastatals through line Ministries. The role of these line Ministries includes setting goals, approving business plans, monitoring operations, providing finance, and guaranteeing loans. Over the last several years, these interventions have enabled the government of Zimbabwe to secure control over key strategic resources of the country.

While these parastatals are consistently unable to carry out their basic mandates – for example, much of the power grid has collapsed – they remain crucial as political, social, and economic hubs that bind bureaucrats, politicians, military officials, and business leaders. Members of the ruling party and retired military generals are often appointed as members of the Board of Directors, General Managers, and Chief Executive Officers of parastatals. When selecting managers, major importance is given to political loyalty, which makes parastatals an integral part of the politics and economy of the country.

Again, such overlap between the ruling party, the military brass, and the private business leaders is not unique to Zimbabwe: it also exists in China. The major difference between Zimbabwe and China is that the latter consider skills and competences in senior appointments, beyond mere political loyalty or a security forces background (Piatek, 2023). In this way, corruption is built into state institutions in Zimbabwe, involves a symbiotic relationship between political and economic elites (see also Piatek, 2023), and a fundamentally anti-developmental situation is entrenched. Zimbabwe's parastatals remain characterised – despite Mnangagwa's promises of reform – by political interference, corruption, cronyism, conflicts of interest, allocative inefficiency, mismanagement, and contradictions between the state's ownership of enterprises and its regulatory functions (Moyo, 2016, 2020; Zimbabwe Coalition on Debt and Development (ZIMCODD), 2022). They have been accused rightfully of having incompetent and corrupt boards that have run these institutions aground without any consequences for board members. As a result, they have long become a drain on the fiscus as they rely on government to continually bail them out.

Even with fiscal support estimated at 11 percent of GDP between 2011 and 2018, parastatals continue to experience severe cash-flow problems that are adversely impacting their operational performance with key utilities such as ZESA, ZINWA and NRZ experiencing perennial service delivery challenges. Unlike the Chinese parastatals which have emulated large private firms through corporatisation, listing in the stock markets, and performing and ensuring corporate governance (Moyo, 2016, 2020), Zimbabwe's parastatals are astonishingly inefficient. The Mnangagwa government has formally approved a restructuring process

in the form of commercialisation, decoupling, and some privatisation. The problem in the implementation of such turnaround strategies is that it is a threat to vested interests and patronage networks (Moyo, 2016, 2020).

Since the early 2000s, as indicated, Reserve Bank has gone far beyond its monetary policy mandate to engage in other activities, like a farm mechanisation scheme. This programme involved the importation of combined harvesters and tractors for military officials, senior ruling party officials, war veterans, and senior civil servants. These groups were targeted as a way of buying their support amid a strong political opposition based on the MDC that was, in the early 2000s, posing a real challenge to ZANU-PF. The support was also aimed at cushioning these groups against the economic difficulties that the country was facing, and at enhancing their farming operations in the wake of FTLRP. As well, in 2016, the government of Zimbabwe launched what it termed "command agriculture" purportedly to increase agricultural production. ZANU-PF's rural strongholds in particular are offered agricultural inputs in the form of fertilisers and seeds every year. There are claims that part of the funds for this programme are provided by the Reserve Bank through the printing of money.

The central bank has been involved as well in quantitative easing to shore up financial sector liquidity as well as to offset economic dislocation caused by a melange of factors including sanctions imposed by the Euro-Western countries. Despite committing itself to stop its quasi-fiscal operations in line with the recommendations of the IMF Article IV Consultations, the Reserve Bank has instead continued with these operations while publicly articulating that it has stopped doing so. At the same time, the Reserve Bank has been offering foreign currency through an auction system to businesses. However, the auction system has been more beneficial to the politically connected persons. Conversely, businesspersons who are not linked to the ruling party or whose interests differ with those of government are finding it difficult to access foreign currency.

The Reserve Bank has been battling with currency instability since the reintroduction of the Zimbabwean dollar in February 2019. In the first half of 2023, it revised the monetary policy framework several times

in an attempt to address the high inflation rate and limited currency reserves, often in a haphazard and unpredictable manner. To date, none of these interventions have been successful. Limited reserves of the Zimbabwean dollar and low confidence in it, alongside the persistent demand for foreign currency by both businesses and consumers, continue to fuel the growth of the parallel market, resulting in the ongoing erosion of the value of the local currency (Control Risks, 2020).

The fiscal operations of the Reserve Bank have resulted in the bank incurring debts which it could not pay; hence, government has assumed most of the debts created by the Reserve Bank. For instance, government took over the debt owed to Trafigura Group for contracts worth USD $225.6 million dating back to 2016 for fuel payments made by the company on behalf of the Reserve Bank. Similarly, the government has assumed the Air Zimbabwe debt of USD $495 million, ZISCO's at USD $500 million, and TelOne's USD $338 million legacy debt – as well as USD $3.5 billion as compensation owed to former commercial farmers who were affected by the FTLRP of the early 2000s (Zimbabwe Coalition on Debt and Development (ZIMCODD), 2022). Access to the Reserve Bank also allows political insiders access to foreign currency, which can then be sold (illegally) in the burgeoning black market at market rates. They then go back to the bank to access cheap foreign currency which they then sell again in the parallel market, thereby creating a snowball-effect of inflation and foreign exchange shortages in the country.

More recently, the government has also been accused of using the IMF Special Drawing Rights (SDRs) to support businesses of politically connected people. The SDRs were issued for the purposes of supporting the country following the economic fallout caused by the COVID-19 pandemic. However, part of the SDRs has been used to establish certain revolving loan funds (RLF), namely, the Horticulture Fund, the Industry Retooling Fund, the Tourism Facilities Services Development and Upgrading Fund, the Smallholder Farmers Irrigation Infrastructure and Development Fund, and the Gold Service Centres Revolving Facility. These funds have been accessed exclusively by the PEPs while other businesses have only heard about their launch without any information provided publicly about the terms and conditions of accessing them.

Powerful businessmen like Kudakwashe Tagwireyi have amassed wealth because of their proximity to Mnangagwa's family. It is popularly believed that Zimbabwe's current President and his business partners are richer than the Zimbabwean government itself (Moyo, 2023).

Mnangagwa has also used his business and political power to finance civil society formations that are directly aligned to him, including the Miners for ED (Emmerson Mnangagwa), Teachers for ED, Nurses for ED, Pastors for ED, Young Women for ED, Students for ED, and Vendors for ED. These structures have generated significant tension within the factionalised ruling party since they undermine the constitutionally-aligned party structures through which political battles are usually waged.

The country's militarised primitive accumulation is also deeply entangled with debt distress in Zimbabwe. The true extent of the country's liabilities to external creditors is not fully known as some of it is clandestinely negotiated and contracted below the radar of Parliament and other accountability institutions. Apart from the debt owed to a legion of bilateral and multilateral creditors and lenders, in recent years, the government has guaranteed the debts for parastatals, but these entities have not been able to service let alone pay their debts. For example, CAAZ's external debt stands at USD $100.8 million, and NRZ's at USD $388 million. All these debts have been assumed by the state as part of its obligation as a guarantor and because parastatals are important for the ruling elite's power retention strategy (Zimbabwe Coalition on Debt and Development (ZIMCODD), 2022).

Thus, Zimbabwe's evolving state capitalism is not just anti-developmental, but goes hand in hand with autocratic and illiberal practices in Zimbabwe's politics (also see Piatek, 2023). It is favourable to the ruling elites that are primarily interested in bolstering their personal stores of political capital by serving and protecting their most powerful constituents – be they voters, political benefactors, or the military and war veterans. As previously mentioned, this system allows for the staffing of parastatals, the civil service, the state's economic administration and business institutions with political loyalists. Instead of working towards building the economy, these loyalists focus on the next election. If anything, state capitalism has consolidated political authoritarianism

and political polarisation, and it has been unable to address let alone resolve the socio-economic problems facing the country.

Given the foregoing discussion, it is quite clear that state capitalism has not been contributing towards the resolution of the many problems in Zimbabwe. In conclusion, contrary to the claim that state control is the solution to Zimbabwe's development challenges, the state in Zimbabwe has been associated with political repression, corruption, and primitive accumulation. State capitalism in Zimbabwe has resulted in the growth of oligarchs that are linked to the ruling elites. It therefore stands to reason that going forward Zimbabwe will require a system that addresses the skewed ownership of productive assets and other inequalities; allows wide participation of its citizens in all development processes; establishes efficient institutions; provides a conducive environment for the private sector to do business and create new wealth and jobs; and balances the role of market forces by ensuring sustainable human development (Chipika and Malaba, 2017). Even a democratic form of state capitalism where the state has the controlling functions but it itself is controlled by the people – with institutions which curtail the bureaucracy and political parties – would be preferable.

6

Conclusions

The contemporary debates on state capitalism and its associated research programmes have provided valuable insights into an exceptionally wide range of spatially diverse practices, policy instruments and trajectories, institutional frameworks, and governance and network configurations, which involve the state to varying degrees and at a range of levels, time frames, and geographical scales. As such, it has contributed meaningfully to our understanding of the present polymorphism of state intervention across the global capitalist economy. Crucially, insights into the uneven re-articulation of state-capital relations across scales and temporalities offered by state capitalism studies can serve as "provocations in the exploration of new realms of progressive intervention and emancipatory possibility" (Whiteside *et al.*, 2023: 68). These explorations may reveal the extent to which actually-existing state capitalisms reconfigure the power of the state and its institutional forms of domination in ways that open up realistic opportunities for emancipatory struggles and participatory democracy. For instance, forms of state intervention that appear to blur the lines between public and private spheres open space for popular demands to harness the powers of the state towards different aims, thereby remaking the terrain

of struggle itself by calling into question the political legitimacy of state intervention (Alami, 2023). There are both analytically suggestive and politically significant grounds, therefore, to engage and problematise this latest moment of state-capitalist discourse and practice.

However, much work remains to be done for state capitalism to be transformed from a broad umbrella term (or, less charitably, an empty slogan) into an efficacious explanatory tool. A fixation with the novelty of the latest iterations of state capitalism and the mechanical application of the category have deflected attention from underlying generative structures as well as the historical capacities and limitations of capitalist states. Therefore, the prevailing conceptual frameworks and research agenda are typified by a limited capacity to convert particular findings into general insights. Since "statist" responses appear, paradoxically, to both destabilise and reinforce the embedded features of the prevailing neo-liberal order (as a modality of statecraft and field of re-regulation), state capitalism cannot be properly understood as a simple process of pendulum swings between statism and marketisation (Peck, 2023b: 761).

Furthermore, as noted above, unless the malleability and capaciousness of state capitalism's categories of analysis are delimited in a reflexive manner, a lack of analytical precision or conceptual rigour and the unchecked propagation of excessively expansive scholarship are inevitable outcomes (Alami and Dixon, 2020). There is also an unresolved tension in the literature between conceptual plasticity and the consolidation of generative research agendas. As Whiteside *et al.* (2023: 69) argue,

> Engaging state capitalism as a "plastic" concept and problem space certainly holds more potential than its deployment as a static binary or as a construct for cataloguing diversity, positioning it instead as a flexible analytic for appraising state restructuring. A degree of plasticity is moreover necessary if the concept is to be capable of grasping rapidly mutating landscapes of state-capital relations across highly heterogenous historical geographies and political contexts, without homogenizing them or downplaying their complexity.

Each form of capitalism is characterised by its own regulatory landscape and configuration of market, state, and other institutions for economic coordination and social regulation. The various forms of state capitalism – both the models put into practice in certain Asian and Latin American countries since the 1960s and the new form emerging during the neo-liberal era, including in Brazil, China, Namibia, Russia, South Africa and elsewhere – are marked by radically different developmental outcomes. These examples underscore the need for more relational-processual approaches, which highlight polymorphic and non-linear trajectories of change rather than the analysis of static or self-contained systems (Alami and Dixon, 2023; Peck, 2021). The picture that emerges does not accord with the idea (rooted in methodological nationalism) of neatly demarcated "varieties of capitalism" governed by their own intrinsic logic. Rather, "the moving landscapes of state intervention are being created, constituted, transformed and recombined over time through interconnected socio-spatial processes and interactions" (Alami *et al.*, 2023: 622).

Several final points need to be made. First, an examination of African experiences suggests the need to rethink standard typologies of state capitalism, to include, *inter alia*, colonial and postcolonial experiences of capitalism, and to include militarised forms of state capitalism – such as those seen in Zimbabwe (Southern Rhodesia) at different stages. For example, African experiences of ISI – including racist variants, as seen in late colonialism, apartheid, and Southern Rhodesia – and of Marxist-Leninist central planning – as in independent Angola and Mozambique – need to be taken seriously. However, most of these are invisible in current debates, for example, over the "new state capitalism."

Second, the long and consistent use of state power in Africa (and elsewhere) for class formation suggests that this process is systemic, rather than an aberration. It simply cannot be understood merely as a potential, a moral problem, a short-term political strategy. It is not identical with state capitalism – in the sense used in this study – but it is connected to it.

A fuller explanation of that relationship is required, although it falls beyond this scope of this study. In addition, the implications for class theory of the key role of the state in class formation, and the

importance of developing a class analysis of the state sector itself, need further exploration. Marxist as well as Weberian class theory, for example, envisaged classes primarily in terms of economic relationships: Marx emphasised the ownership of means of production as the core class cleavage, while Weber also stressed marketable assets, like skills and rental property (e.g., Wright, 2005). For Marx, ownership led to state power, i.e., political power, thus understood, was derivative, the state being, so to speak, a shadow cast by class relations located in the economic "base." Weber, less reductionist, agreed that economic power granted political influence, but insisted that it was but one amongst several factors, including party organisation, social status, and charismatic leadership, that could access political power. While he insisted that the state was an organisation with irreducible dynamics and resources of its own, he did not integrate the state sector into his class analysis. Like Marx, he treated class as essentially external to the state itself.

Both these approaches struggle to deal with situations in which economic power is derivative of *political* power, as in many parts of the so-called Third World (Van der Walt, 2018). As noted, a substantial body of African Marxist and radical thought has argued, for example, that sub-Saharan Africa has "bureaucratic" or "state bourgeoisies" alongside or instead of private captains of industry. Their existence was dependent on the state for accumulation – much of it illicit, and all of it dependent on political connections and government employment (Ake, 1976; Onimode, 1988; Turok, 1990).

Yet the label "capitalist" was arguably a misnomer, as these classes were often based on leveraging of state office for rent-seeking and/or corrupt extraction (Evans, 1989). Rather than capital accumulation and expanded reproduction, in the Marxist sense, the effects were usually anti-developmental (Sandbrook and Barker, 1985). In extreme cases, these tendencies developed into predatory states that – as in Zaire and Zimbabwe – triggered economic collapses. But if these political elites were not really a "bourgeoisie," what were they? This question points to the need to engage with class theories that treat control of state resources – and the autonomous power of the state –as independent and irreducible components of class structures (see Dahrendorf, 1959;

Holton, 1980; Szelenyi and Martin, 1988; Van der Walt, 2018). Historical institutionalist analyses have taken important steps in this direction but have tended to draw a distinction between what they dub state elites and economically dominant classes. This retains the treatment of classes as economic phenomenon eternal to the state, and, as such, does not treat state elites in class terms.

Third, as Evans (1989) and Sandbrook and Barker (1985) have pointed out, the success or failure of ISI (and other statist) policies is only partly dependent upon the policy framework, or on pre-existing factor endowments or international conditions. State form and capacity, and the resultant policy implementation, are decisive (Evans, 1989). Zaire (the Belgian Congo to 1960), Brazil and South Korea all adopted ISI, but the outcomes varied dramatically. Zaire's economy imploded under a fractured kleptocratic "predatory" state (strikingly akin to Zimbabwe's post-2000 state), which ultimately undermined the most basic prerequisites for modern economic activity, with a collapse of infrastructure, the fiscus and civil order. South Korea attained astonishing successes under its "developmental" state based on a centralised, dynamic, professionalised, effective apparatus. Brazil's "intermediate" state achieved middling results due to the co-existence of "predatory" and "developmental" features, including poor coordination, the capture of parts of the state by special interest groups, and patronage systems (Evans, 1989).

What differentiates these states, then, is *not* the *fact* of extensive intervention – the existence of an ISI-type policy, or, we might add, of state capitalist forms like large parastatals – but the state form and capacity, which shape implementation and outcomes. Thus, while ISI can enable corruption, crippling corruption is not intrinsic to it, and a "developmental" state is not synonymous with an interventionist state since an interventionist state can be predatory. If we apply this to southern Africa, it highlights the importance of variation, despite formal similarities in policy.

If we follow Evans' (1989) typology of "developmental," predatory" and "intermediate" states, extend it beyond his focus on states with ISI policies, and apply it to southern Africa, the results are instructive. It would seem that, for example, South Africa's experience (like that

of Zambia) best fits that of the "intermediate" category. The state has historically been fragmented, has struggled to coordinate planning and to self-correct, and the capacity of different state departments, provinces and parastatals varies dramatically.

Zimbabwe (Southern Rhodesia), on the other hand, seems to have followed a trajectory from predatory to intermediate and back to predatory, corresponding to the British South Africa Company, ISI and post-2000 periods, respectively. In the first and last, primitive accumulation predominated, based on force, but the militarised primitive accumulation of the latter is bereft of any expansion of wage labour or capital accumulation; it is anathema to economic growth. The ISI period, for its part, had uneven effects and never managed to break the basic domination of agro-mineral activity nor the hold of foreign – including South African – multi-national corporations and FDI. What this suggests is that a conceptual differentiation of types of state capitalism should include, not just formal policies, but close attention to state capacity, form and policy implementation processes.

Fifth and finally, the data and the analysis presented in this study, and the historical institutionalist approach on which we draw, have profound implications for contemporary policy challenges. There has been a growing interest by southern Africa governments in the developmental state as a solution to current socio-economic challenges. The South African government has in fact –since around the year 2000 – repeatedly claimed to be a developmental state. The rise of China has also given renewed legitimacy to statist solutions, which have always – as we have seen – appealed strongly to nationalist currents in Southern Africa. For example, the Mnangagwa government in Zimbabwe has undertaken study tours to China and expressed interest in emulating Chinese parastatals. There is also a burgeoning scholarly literature on the prospects for developmental states in southern Africa (e.g., Andreasson, 2007; Ayee, 2013; Bond, 2008; Chipika and Malaba, 2017; Evans, 2010; Gumede, 2009; Jauch and Tjirera, 2016; Mkandawire, 2010; Ovadia and Wolf, 2018; Pape, 1997; Routley, 2014; Von Holdt, 2010). Much of this literature is aspirational and prescriptive, promoting the developmental state as a model.

Underlying these trends are larger processes, like the financial crisis of 2007–8, or Great Recession, which showed that claims that liberalising markets, state retrenchment and attracting FDI are not guarantees of economic development. Not only did the Great Recession. China's apparent ability to withstand the reverberations of Wall Street's implosion also suggested the possibility of a new "Beijing Consensus" involving state control of volatile market forces and of investment through parastatals (Bremmer, 2008; Kurlantzick, 2016).

A full review of these developments, and a detailed discussion of the debates in this literature, fall beyond the scope of this paper. However, as we have argued throughout this study, the fact that a state intervenes in an economy does not make that state developmental, mor does it make it a developmental state. There are profound national variations between countries within specific eras of capitalism; an identical global context does not translate into the homogenisation of countries, nor does an identical policy framework amount to identical implementation or effects. Even countries with substantially similar starting points can evolve in radically different ways. These variations can largely be accounted for by the irreducible effects of specific states and societies, and their evolution over time. Much depends on the character and history of specific states, and the societies in which they are embedded – and class (as well as other) cleavages, conflicts and power relations (Evans, 1989; Heller, 2000). As Patrick Heller (2000: 22) put it:

> As a dynamic social process, development is driven by the conflicts among organized social actors. Outcomes are varied and indeterminate. But they are not infinite and random... it is possible to identify some patterns and make some causal claims. The key pattern ... is the interplay of the processes of state formation and class mobilization in shaping the consolidation of a particular form of capitalism.

The character of contemporary societies in southern Africa cannot, it follows, be explained merely by reference to factors like corruption or the political programmes of specific parties. They are path-dependent and conditioned by specific political economies. As Evans (1989, 2010)

has noted, an effective state that can transform the economy cannot be created by fiat or good intentions or prescription. It entails processes of state building, which are in turn deeply shaped by the histories of the state, and the state bureaucracy, as well as by the class structure and political economy of the societies in which states are based. Simply put, advocating a developmental state is a very different from establishing whether such a state is, in fact, feasible. It seems to us unlikely that the types of that enabled dramatic Asian successes can be forged in southern Africa, and, equally, that no current southern African state has anything like the capacity to undertake such ambitious projects.

States in southern Africa have radically varying capacities, histories, and exist within quite different societies (Mkandawire, 2001: 290). They have employed a range of strategies to develop their economies and have a variety of instruments at hand to pursue developmental objectives. The precise manner in which these instruments are deployed, and to what effect, are determined by the particular configuration of social forces in each country and how these are inscribed on struggles over economic and political power. It is clear that the ISI project had contributed directly to the industrialisation of South Africa and Zimbabwe: liberal economic orthodoxies notwithstanding, it is exceedingly unlikely that either country would have industrialised without state intervention. Their fate would likely have been similar to that of Zambia, which also attracted a great deal of FDI, and boomed when copper prices rose, and declined when they fell. It is also exceedingly unlikely that South Africa would have developed a local (white) class of industrialists in the absence of the support provided by ISI, and of specific measures like Afrikanerisation.

That said, ISI is not a standardised product. Zambia, at independence, quickly moved to set up an ISI system but this was limited, as we have seen, by an incoherent state apparatus with limited capacities, as well as a collapse in copper prices in the 1970s. In short, the window of opportunity ideal for Zambian ISI ran from independence in 1964 to around 1973, when prices collapsed. But the differences in ISI between countries are also differences in concrete policies, time frames and decisions. Zambian ISI, Turok (1990) suggests, lacked a clear plan.

South African ISI, as we have seen, was shaped by the racist political order in which it operated, was bedevilled by policy missteps and hampered by the fragmentation and capacity limitations of the state. This is not adequately addressed by the minerals-energy complex (MEC) thesis, which has wielded a truly extraordinary influence on post-apartheid assessments of South Africa's economic history and current challenges. According to this argument, "contrary to popular opinion ... the economy's dependence on mining and energy and directly related activity has increased and not decreased" (Fine and Rustomjee, 1996: 5, 9). Moreover, it is "erroneous" to claim that "manufacturing ... overshadows primary production" or that South Africa has experienced significant import-substitution (Fine and Rustomjee, 1996: 9). The reasoning is that the South African economy remains centred on mining products – minerals, like iron ore, and sources of energy and chemicals, like coal – and that this "system of accumulation" has blocked further economic diversification.

There are significant flaws in this argument. The MEC theory's claim that there has been no real diversification from a mining-based economy is based on grouping manufacturing activities downstream from mining – chemicals, electricity, and metals – with mining into a single "complex," and then defining everything within this category as "primary production" (Bell and Farrell, 1997: 593). This effaces the basic distinction between secondary and primary production, leading to an analysis in which, for example, the manufacture of high-grade steel is rendered analytically identical to digging ore.

The development of heavy industry, including steel mills and chemical plants, is widely understood to be evidence of industrialisation and diversification, and crucial steps in that process (Bell and Farrell, 1997: 604–605, 608–610). Heavy industry was the focus of German industrialisation from the 1840s (Chang, 2002; Gerschenkron, 1963), twentieth century Soviet industrialisation (Raiklin, 2005), and South Korean industrialisation until the 1980s (Vogel, 1991: 59–60). There is nothing surprising in mining, in a mineral-rich country, looming "large in any account of the development of its economy" (Bell, 1998: 73). The extent of import-substitution is not measured by the extent to which local raw materials are used, nor by whether such local inputs frame

local manufacturing possibilities. Showing that local manufacturing used local raw materials does not show that an economy has not diversified, or that a so-called MEC blocked diversification. Moreover, as shown earlier in our study, a substantial part of local manufacturing growth in South Africa – for example, in auto, paper, telecommunications and textiles – was outside of the so-called MEC, and cannot be accounted for by the claim that the MEC blocked diversification.

The MEC theory also deploys a somewhat maximalist and unusual definition of import-substitution, as entailing a straightforward transition from consumer to intermediate to capital goods substitutions (Fine and Rustomjee, 1996: 221–225). This is certainly an ideal trajectory and one to which many states that adopted ISI aspired. However, the MEC thesis goes on to insist that, since this sequence stalled in South Africa, then very little import-substitution took place after 1945 (Fine and Rustomjee, 1996: 221–225).

While progress towards intermediate to capital goods substitutions can serve as a measure of the extent of import-substitution, and suggest the long-term sustainability of an ISI project, it is misleading as a measure of whether import-substitution has occurred. Import-substitution is normally measured by the growing ratio of domestic versus imported import supplies of specific products or categories of products, and the attendant relative size of local manufacturing, and a decline in reliance on foreign suppliers due to local substitution (Bruton, 1989). The data unequivocally shows that import penetration ratios declined sharply in South Africa from the 1920s, that this continued well into the 1980s (Bell and Farrell, 1997: 595–600), and that this is largely to be accounted for a dramatic expansion in local manufacturing. Moreover, the claim that South Africa made almost no progress towards the local production of intermediate and capital goods imports is simply incorrect, as there was a move towards capital goods substitutions (Bell and Farrell, 1997: 595–600), and a substantial, if constrained, local capital goods production (e.g., Kaplan, 1987).

It is true that while South Africa dramatically reduced its reliance on imported consumer goods, as well as on imported inputs, it continued to rely on imported capital goods for the manufacture of local substitutes (Kaplan, 1983: 159–61). Moreover, since South Africa's manufactured

products were not globally competitive, the country was unable to expand through manufacturing-based export-oriented growth. Rather, the country had to rely on exports of minerals like coal and gold for foreign exchange (Kaplan, 1983: 159–61). But a so-called MEC does not convincingly explain what generated these problems, beyond asserting that the MEC somehow blocked further development. Why and how, for example, the MEC would block capital goods substitution in textiles is not clear.

On the other hand, a very substantial literature has shown how mistakes in state policy, and problems in state capacity, were crucial to the weaknesses of South African manufacturing and the limitations of ISI. On the whole, local manufacturing was a low-wage-low-innovation-low-productivity system. Relatively low total factor productivity was, in large part, due to inappropriate subsidies, the segregated education system, limited investments in research and development, and the high costs of operating the homelands systems, including their parastatals (see, *inter alia*, Giliomee, 2010: 598–599; Moll, 1991). Little attention was paid to systematic substitution in capital goods.

Moreover, the ability of the South African state to change gear or correct its course was greatly complicated by the character of the state itself. The state had highly uneven – and often quite limited – capacity due to growing corruption, patronage, and political interference (also see Hyslop, 2005; Sibuyi, 2021). It was also fractured, both within "white" South Africa itself with its racially segregated departments and different levels of government, many of which operated in silos, and in the ten homelands. By 1990, there were 14 legislatures and 151 government departments (Chipkin and Meny-Gibert, 2012: 102–103). To these we could add, a few years earlier, the South West African colonial government, its split between the Police Zone and the north, and from the 1960s, the fragmentation entailed by the extension of the homelands system into the territory, and efforts at devolution and an internal political settlement. Corruption was also increasingly widespread in the main "white" state from the 1970s (Hyslop, 2005; Maylam, 2013), and in the homelands, most of which were marked by an organisational culture that tolerated low productivity and maladministration and comprised

the most ineffective parts of the overall South African state (Chipkin and Meny-Gibert, 2012).

Just as the claim that the state in southern Africa was *the* cause of the region's economic failures is rightfully viewed as questionable, so too is the claim that the state can now be *the* solution to all these failures. It is, as Wood and Wright (2015: 1–2) show, profoundly mistaken to assume that a growing role for the state is "associated with reduced power of corporations and an increased concern with the interests of labour," or represents "society" protecting itself from capitalism. On the contrary, as our discussion has shown, state capitalism in Africa has generally been associated with class rule, class exploitation, political repression, and often with labour-repression and corruption. South Africa, the most successful ISI example, was built upon an authoritarian social order based on cheap labour. In Zambia and Zimbabwe, it was the immiseration and repression associated with interventionist states that spurred the rise of union-backed opposition parties like the MMD and MDC, respectively. Evans' (1989) examples of "developmental," "predatory" and "intermediate" states – South Korea, Zaire, and Brazil – were labour-repressive dictatorships. China, of course, is a one-party state based on massive repression. If "statism is not necessarily more benign or more fair (i.e., providing greater social equity) than marketization" (Wood and Wright, 2015: 1–2), and Marxist-Leninist regimes have proved economically inefficient and politically oppressive, it remains to be seen whether alternatives to capitalism and the state, like popular class-based movements for a new system, based upon common ownership, self-management and bottom-up planning (Van der Walt, 2019) are feasible options.

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